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

(Incorporated in the Cayman Islands with limited liability)
(Stock code: 445)

ANNUAL REPORT 2019

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CORPORATE INFORMATION

NON-EXECUTIVE DIRECTORS
Li Yin Hui, Chairman
Yu Yu Qun
Tao Kuan
Zeng Han

EXECUTIVE DIRECTORS
Jiang Xiong, Honorary Chairman
Zheng Zu Hua

INDEPENDENT NON-EXECUTIVE DIRECTORS
Loke Yu
Heng Ja Wei
Ho Man

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
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
George Town, 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
Registered Public Interest Entity Auditor
22nd Floor
Prince's Building
Central
Hong Kong

STOCK EXCHANGE LISTING
The Stock Exchange of Hong Kong Limited

STOCK CODE
445

CHAIRMAN'S STATEMENT

I am delighted to report that CIMC-TianDa has delivered another year of record revenue and profit in 2019.

The Group's revenue for 2019 increased 36.4% to RMB5,957.7 million and profit rose 25.1% to RMB244.1 million. The outstanding performance is a reminder of the Group's growth through acquisitions strategies set before the Group acquired a substantial equity interests in Ziegler in 2015. Shanghai Jindun and Shenyang Jietong, the two newly acquired fire engines manufacturing companies in 2019, have contributed considerably to the Group's revenue and profit. The Group acquired also the remaining equity interests of Ziegler in 2019 and the Group has marched a big step towards the completion of the blueprint for the development of its firefighting and rescue business in the global market. It marks the beginning of the integration of the newly acquired entities that are critical to the Group's future sustainable growth. The Board has enjoined the management to make all-out effort on it.

The Group has expanded its product lines in the fire safety business by making a foray into the mobile fire stations and emergency rescue stations market. Combining the Group's knowledge and network in the fire safety industry in the PRC and the CIMC Group's experiences in Modular Integrated Construction and strengths in containers supply, a company was set up in July 2019 to run the new business stream. It is a high potential market and the new subsidiary has already made a profit, though not a big one, in its first five months of operations.

I am glad that the airport facilities segment also delivered a beautiful result in 2019. As a leader in the market providing superb products and services, we have always been the prioritised choice. In November 2019, the Group obtained the ever-largest contract, in terms of contract value, to provide passengers boarding bridges and pre-conditioned air units to the Chengdu Tianfu International Airport Terminal for a total contract sum of over RMB518 million (approximately 32.9% of the revenue of the airport facilities segment for 2019). The Group has been establishing a service network by setting up service centres in different regions of the world to serve the customers on one hand, and to build customer loyalty on the other in order to grasp all opportunities arise from the increasing investment in aviation infrastructure worldwide. The Group has been working hard on opening the US market but it is unfortunate that a longer-than-expected time is required because of certain macro-environmental reasons. I hope this final piece of puzzle will be put in place soon.

We aim to lead the market in all the businesses the Group engaged in. We play a pivotal role in the airport facilities business (especially the passengers boarding bridges business) and also the firefighting and rescue business. The Group have conducted series of internal restructuring to the logistics segment in an attempt to turnaround its unsatisfactory performance caused by the management problems. Different proposals are under consideration to tackle the long time underperformed automatic parking system business, including disposal.

CHAIRMAN'S STATEMENT

The Board is mindful to deliver value to our shareholders. The Company has adopted a dividend policy and intends to pay out an annual dividend payment at a payout ratio of not less than 25% of the profit attributable to owners of the Company for a financial year. I am delighted that the Board is recommending a dividend of HK0.42 cent per share for 2019. The dividend is to be paid out of share premium account of the Company and is subject to approval of the shareholders at the general meeting of the Company to be convened. We endeavour to maintain a sustainable return to our shareholders in the long term, though it is not an easy task amidst all the risks and challenges from the changing macro-economic environment, swift technological updates and ever-intensifying competitions.

The recent outbreak of the novel coronavirus has posed a serious threat to the global community. Though it is difficult to tell how severe the impact will be at this point of time, the Group's sales, purchases, production and goods and service delivery will inevitably be affected by the travel restrictions, the supply chain disruptions and the weak consumption market. Thinking positively, this may enhance our crisis management skills and the economic assistance policies that may be put forward later by the governments could possibly create us waves of opportunities.

I would like to express my immense gratitude to my fellow directors, staff, shareholders and business partners for their unwavering support. I am looking forward to another strong performing year in 2020. Wish everyone good health!

Li Yin Hui
Chairman

25 March 2020

Business review

The Group reported another year of record high revenue of RMB5,957.7 million for the year ended 31 December 2019, represented a growth of 36.4% as compared to last year. Profit for the year increased 25.1% to RMB244.1 million. The Group's revenue and profit for the year was mainly contributed by the airport facilities segment and the firefighting and rescue segment. An analysis of the Group's business by its business segments are stated below.

As the acquisition of Albert Ziegler GmbH ("**Ziegler**") was accounted for using the principles of merger accounting in accordance with the AG 5 "*Merger Accounting for Common Control Combinations*", the comparative figures of the consolidated financial statements for 2018 have been restated to include the financial information of Ziegler. The basis of accounting for the Ziegler Acquisition is explained in more detail in the "Basis of preparation" in Note 2.1 to the consolidated financial statements.

Airport facilities and automated parking systems

Revenue: RMB1,573.4 million (2018: RMB1,357.3 million); segment profit before income tax: RMB183.1 million (2018: RMB173 million)

The airport facilities and automated parking systems segment includes primarily the design, manufacturing, installation and sale of three major categories of products and services: the passenger boarding bridges (PBB) and the ground support equipment (GSE) and the automated parking systems (APS). Among the three of them, PBB has contributed over 84% and 94% of the segment's revenue and profit before income tax, respectively.

Revenue and profit growth for the year was mainly attributable to (i) the completion of a number of sizable contracts including those for airports in Qingdao, Beijing and Pudong of Shanghai; and (ii) the increase in revenue from the provision maintenance and renovation services as a result of the new service centres in China and Europe established in recent years. The Group has successfully outplayed its competitors to secure contracts with many domestic and foreign airports operators during the year. It has been selected the supplier of PBB and certain other PBB-mounted equipment to the airports in Shenzhen, Chengdu and Kunming for a total sum of exceeding RMB800 million. The single contract with Chengdu Tianfu International Airport amounted to approximately RMB518.5 million is the largest contract, in terms of value, the Group has ever obtained. The Group also won two tenders in Germany and Serbia amounted to approximately RMB200 million during the year, of which, the one for providing PBB to the Frankfurt airport at approximately RMB152 million is the largest bid offered, in terms of amount, for PBB in Germany in a decade.

Included in the profit for 2018, there was a one-off gain of approximately RMB11 million in respect of the APS business, for a previously written off debt recovered after winning the lawsuit. Apart from profit margin, many other non-monetary factors would be considered during bid price determination, such as the effect on the Group's brand building, market breaking or sales networking. Short term profit may sometimes give way to long-run benefits.

The achievements are all built from the reputation the Group has for its highly recognised products and services. To maintain its leading position, the Group has always been keeping pace with the market development. Great effort has been placed on the adoption of artificial intelligence technologies in recent years. The newly developed and the world's first Smart Bridge System, which connect passengers boarding bridges to aircraft doors automatically with no manual intervention, has made its debut in the Amsterdam Airport Schipho in 2019. The Smart Bridge System, together with the Visual Docking Guidance System (VDGS) and the SCADA System, which aim at enhancing the operating efficiency of airports, are expected to push forward series of equipment upgrade in the global airports and bring along the Group opportunities for further expansion in the market for PBB and its supporting equipment.

Leverage on the Group's strong connections in the aviation industries, sale of the GSE equipment, mainly airport apron buses, aircraft catering vehicles, cargo loaders and other specialised vehicles and PBB-mounted equipment like pre-conditioned air units (PCA), has been going upward in recent years. Growth in PCA is particularly remarkable with the production technologies the Group mastered getting matured. Over a thousand PCAs have been sold to over 60 airports in the world. PCAs is an attractive alternative to auxiliary power unit (APU) in supplying comfortably conditioned air to travelers in cabin of aircrafts connected with PBB. They reduce the aviation fuel consumption and the greenhouse gas emissions and other pollutions caused by the aircrafts at boarding gates. The PCAs, the electric apron buses and other electric airport special vehicles of the Group under development are all important elements of a "Green" airport. Following the issuance of the "Three-Year Action Plan to Win the Blue Sky Defense War" by the State Council of the PRC in 2018, the Civil Aviation Administration of China has prohibit the use of APU at boarding gates from 1 January 2019 and requested the equipment of APU-substitute facilities in all PBBs in use by end of 2020. The Group is ready to grasp a bigger slice of the enlarged market from the policies announced.

For the APS business, although the Group has successfully developed the mechanical intelligent stereo bus parking system (機械式智慧公交車立體停車庫) and the technology of multifunctional station of electric bus parking system (新能源大巴立體停車綜合場站技術) and has obtained the first contract during the year, its performance has not been satisfactory. The Group is considering future development path of the APS business, including the introduction of new investors to take the lead of its development or simply the sale of all the equity interests, such that resources can be streamlined to other core businesses.

Firefighting and rescue

Revenue: RMB3,455.1 million (2018: RMB2,129.2 million); segment profit before income tax: RMB173.4 million (2018: RMB48.2 million)

As explained in more detail in the "Basis of preparation" in Note 2.1 to the consolidated financial statements, merger accounting was adopted in consolidating the financial statements of Ziegler into that of the Group, the comparative figures of the segment revenue and profit for 2018 were thus, restated to include that of Ziegler's as if it had been a subsidiary of the Group since 1 January 2018.

Since the acquisition of the Shanghai Jindun Special Vehicle Equipment Co., Ltd. (上海金盾特種車輛有限公司) ("**Shanghai Jindun**"), Shenyang Jietong Fire Truck Co., Ltd (瀋陽捷通消防車有限公司) ("**Shenyang Jietong**") and Ziegler completed, the Group's Firefighting and rescue business have extended to a great extent in terms of geographical market coverage, product portfolio and production capacity.

The surge in revenue and profit before income tax of the segment for the year was primarily attributable to (i) the contributions from Shanghai Jindun, Shenyang Jietong since completion of the acquisitions; (ii) the full year contributions from Sichuan Chuanxiao for 2019 in contrast with the eight months from May to December only for 2018 due to the adoption of reversion acquisition accounting after the completion of the Pteris Acquisition (details has been set out in note 2.1 "Basis of preparation" to the consolidated financial statements); and (iii) growth in revenue and profit of Sichuan Chuanxiao due to increased orders from the fire brigades.

Shanghai Jindun and Shenyang Jietong contributed, in total, revenue of approximately RMB857.2 million and segment profit before tax of RMB86.8 million for the year, after adjustment for the additional depreciation and amortization of fair value adjustments of net identifiable assets at date of acquisitions. In addition to acquiring fire engines manufacturing companies with high potential, in response to the national plans for the development of micro fire stations in China, the Group is expanding its firefighting and rescue business by tapping into the emerging mobile fire stations and emergency rescue stations market. In July 2019, the Group established a new subsidiary primarily engaged in, amongst others, the design, technology development, sale and installation of mobile fire stations and emergency rescue stations. Mobile fire and emergency rescue stations, established by assembling container-converted modules of different functions, are characterised with short construction time, space saving, great flexibility and eco-friendly. It is a high-potential market given the urgent demand for a large number of fire stations in China to fill up the deficiencies in exist.

The strategic expansion blueprint of the Group in respect of its firefighting and rescue business is taking shape following the completion of the Ziegler Acquisition. The Group's sales and operation network has covered the entire market in China and a substantial part of Europe and products spanned over a wide range of categories from conventional fire-fighting vehicles to aerial lifting trucks, airport trucks and other special vehicles. The current challenge is on integration of the acquired entities and on which the Group will put great effort in the coming years. The Group will explore opportunities for further expansion into markets that currently has few footholds, in particular, the US and south-east Asia. Apart from general product upgrade, emphasis will also be put on research on the application high-end technologies like artificial intelligence and Internet of Things.

Materials handling systems (logistics)(MHS)
Revenue: RMB929.1 million (2018: RMB881.1 million); segment profit: RMB17.9 million (2018: RMB19.4 million)

There was slight increase in the segment's revenue from the sale of smart warehousing systems and the airport baggage systems. Segment profit decreased, on the other hand, because of an impairment loss on goodwill amounted to RMB5.3 million.

The performance of the materials handling systems segment has not been up to standard. The unsatisfactory performance was primarily due to mismanagement especially the progress and costs control of the projects in US have still been far lagged behind despite the reformation of the US team last year. The Group has undergone a series of internal restructuring to streamline the organization structures of the segment with clear responsibilities assignment, and further efforts on improving the project management in respect of the US projects. Resources are now focused on soliciting quality customers in industries with good prospects and where the Group has experience and connections such as E-commerce suppliers, furniture manufacturers and airports. The historical issues from the old days have been resolved. With the US part no longer a burden, a new page for the segment in 2020 is in anticipation.

Financial resources and liquidity

The Group had a negative net cash balance at 31 December 2019 of approximately RMB1,125 million (2018: RMB669.6 million) which was broken down as follows:

	2019	2018
	RMB'000	RMB'000
		(Restated)
Cash and cash equivalent	**768,386**	557,469
Pledged bank deposits	**34,342**	17,057
	802,728	574,526
Borrowings:		
– from bank – long term	**(341,819)**	(155,416)
– from bank – short term	**(1,387,909)**	(818,755)
– from an associate – short term	**(198,000)**	(270,000)
	(1,927,728)	(1,244,171)
Net cash and cash equivalents	**(1,125,000)**	(669,645)

The pledged bank deposits at 31 December 2019 and 2018 were mainly pledged for bid bond guarantee, performance guarantee and guarantee for letter of credit issued. The borrowings from an associate were loans borrowed from CIMC Finance Company Limited ("**CIMC Finance**"), a subsidiary of China International Marine Containers (Group) Co., Ltd. ("**CIMC**") and also an associate of the Company. It is a banking financial institution registered in the PRC for providing financial services to CIMC group companies, for working capital purpose.

The Group's borrowings increased between end of 2018 and 2019 were mainly for (i) payment of consideration for acquiring Shanghai Jindun and Shenyang Jietong; and (ii) working capital requirements. The long-term bank borrowings outstanding at 31 December 2019 were secured by the Group's equity interests in Shanghai Jindun and Shenyang Jietong. The loan borrowed are to be repaid in seven years by 14 half-yearly instalments. Certain short-term bank borrowings outstanding at 31 December 2019 were guaranteed by CIMC and the others are unsecured. They are repayable in 2020 and their repayment is expected to be financed by internal resources and new loans. Taking into consideration of the financial costs and maintaining financial stability, the Group is negotiating with banks to increase the proportion of long-term borrowings to 40% to 50% of the total borrowings amount in order to have an optimal structure of long-term and short-term loans.

Of the borrowings outstanding at 31 December 2019, RMB971.6 million (50.4%) were loans denominated in RMB; RMB801.8 million (41.6%) in EUR; RMB134.2 million (7.0%) in HKD; RMB16.5 million (0.8%) in SGD and the remaining RMB3.6 million (0.2%) in Croatia Kuna. The currencies of majority of the bank loans matched with the functional currencies of the borrowers. Out of the RMB1,927.7 million outstanding borrowings at 31 December 2019, RMB1,360.9 million were arranged at variable interest rates and the remaining RMB566.8 million were arranged at fixed interest rates.

There was an improvement in the Group's cash flow from operating activities for the year because the Group has tightened the management of accounts receivables and advance payments from customers. Receivables collection has been linked up with performance evaluation and thus bonus and pay-rise of the relevant management staff and sales representatives in an attempt to ameliorate the Group's cash position.

As at 31 December 2019, current assets and current liabilities of the Group were approximately RMB6,790.6 million (31 December 2018: RMB4,669.0 million) and RMB5,442.5 million (31 December 2018: RMB3,606.7 million) respectively. The current ratio was approximately 1.25 times (31 December 2018: 1.29 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 net increase in borrowings and the recognition of lease liabilities upon adoption of HKFRS 16 "*Leases*" have driven up the Group's gearing ratio, which was calculated as interest bearing debt/total equity, from 46.4% at 31 December 2018 to 62.7% at 31 December 2019. The interest bearing debt was the sum of the outstanding balances of borrowings, lease liabilities, convertible bonds and certain interest-bearing advance from a related company at end of the respective financial years. The management will be more skeptical in considering future acquisitions that may have significant impact on the Group's cash flow. All factors will be weighed in determining the modes of financing for future business development and a reasonable degree of financial leverage will be maintained.

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.

Use of proceeds from Subscription

Pursuant to a subscription agreement dated 6 February 2018, the Company issued 673,225,000 shares of the Company 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 (the "**Subscription**"). The Subscription was completed on 4 May 2018. The net proceeds from the Subscription were approximately HK$243.7 million (equivalent to approximately RMB196.4 million) (the "**Net Proceeds**"). Details of the Subscription have been set out in the circular of the Company dated 15 March 2018 (the "**Subscription Circular**").

As at 31 December 2019, the status of the use of the Net Proceeds was as follows:

	Intended use of Net Proceeds	Utilisation of Net Proceeds		Remaining balance of Net Proceeds at
		Up to 31 December 2018	**From 1 January to 31 December 2019**	**31 December 2019**
		Approximately RMB (million)		
Construction of a new PBB factory in the United States of America ("**USA**")	58.8	–	–	**58.8**
Expansion of the PBB business of Pteris Global Limited and its subsidiaries (the "**Pteris Group**") into overseas market	58.8	15.6	**41.1**	**2.1**
Research and development activities	58.8	58.8	–	–
General working capital	20.0	20.0	–	–
Total	196.4	94.4	**41.1**	**60.9**

As at 31 December 2019, the Group has applied the Net Proceeds from the Subscription in accordance with the proposed applications as set out in the Subscription Circular. The remaining balance of unutilised Net Proceeds as at 31 December 2019 allocated for the expansion of the PBB business of the Pteris Group of approximately RMB2.1 million is expected to be utilised by the first quarter of 2020.

The amount of Net Proceeds of approximately RMB58.8 million allocated for construction of a new PBB factory in the USA was originally expected to be utilised by the second quarter of 2020. However, given the unstable economy and uncertainties in the recent business and operating environment, particularly in view of the current China-US relations, the use of the Net Proceeds allocated may be further delayed. The Board will closely monitor the business environment and review the Group's business and operations from time to time. The Group will make further announcement in relation to any updates or material change in the use of the unutilised Net Proceeds in compliance with the Listing Rules as and when appropriate.

Impact of the novel coronavirus epidemic

The novel coronavirus epidemic sparks deep economic uncertainty and the Group will unavoidably be affected, as follows:

– Although most of the Group's factories in China have resumed production, some of their production and delivery schedules are disrupted by the supply chain problems as certain suppliers are still under production suspension, and also due to the international shipping restrictions;

– Service delivery are also delayed by the travel bans and compulsory quarantine measures adopted worldwide;

– Tension on order books are expected as tendering are suspended due to the epidemic; and

– Cash flow pressure in the short-run is also anticipated because a substantial number of the Group's customers, who rely on public funding, may postpone payment, with the delay in government financial allocations.

The Group will place close attention to the development of the novel coronavirus epidemic and changes in the economic environment. Their impact on the Group's operations and financial positions will be closely monitored and evaluated.

Investments, capital commitments, contingent liabilities and pledge of assets

Investments

The Group has the following investments during the year ended 31 December 2019:

1. In January 2019, the Group completed the acquisition of 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 bulk purchase privileges of CIMC and 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. Details of the investment in Tongchuang has been set out in the announcement and circular of the Company dated 28 August 2018 and 16 October 2018 respectively.

2. In April 2019, the Group completed the acquisition of the entire equity interests in Shanghai Jindun, 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 vendor of Shanghai Jindun has given guarantees in respect of the financial performance of Shanghai Jindun for the financial years 2018 and 2019, and the Group is entitled to financial compensation in accordance with the terms of the equity transfer agreement if the guaranteed profits or revenue is not achieved. Shanghai Jindun is principally engaged in the manufacturing of fire engines and equipment. Apart from the financial contributions, the acquisition is expected to strengthen the Group's portfolio of fire engines and enlarge its production capacity and geographical market coverage, especially in the south-eastern costal area of the PRC and the Yangtze River Delta region. Details of the acquisition have been set out in the announcement and circular of the Company dated 19 October 2018 and 25 March 2019 respectively (the "**Shanghai Jindun Announcement and Circular**").

   The Company has issued 551,564,448 consideration shares to the vendor of Shanghai Jindun during the year and half of them were charged in favour of a subsidiary of the Company as a security of the 2019 Guaranteed Net Profit (as defined in the Shanghai Jindun Announcement and Circular). As per the audited consolidated financial statements of Shanghai Jindun for the year ended 31 December 2018 and audited consolidated financial results of Shanghai Jindun for the year ended 31 December 2019, the 2018 and 2019 Guaranteed Revenue, the 2018 Guaranteed Net Profit and the 2019 Guaranteed Net Profit (as defined in the Shanghai Jindun Announcement and Circular) have been achieved and therefore no financial compensation from the vendor of Shanghai Jindun is required. The consideration shares charged in favour of the subsidiary of the Company will also be released.

   As disclosed in the Shanghai Jindun Announcement and Circular, Shanghai Jindun possesses the Scientific Research and Production of Arms and Equipment Permit (**武器裝備科研生產許可**) and the Equipment Production Entity Permit (**裝備承製單位許可證**) (collectively the "**Licenses**") and is therefore regarded as a military enterprise (**涉軍企業**) in the PRC. Pursuant to the Temporary Provisions on the Reorganization and Listing of Military Related Enterprises and the Examination of Capital Operation in Military Projects After Listing (**《涉軍企事業單位改制重組上市及上市後資本運作軍工事項審查工作管理暫行辦法》**(**科工計**〔2016〕209**號**)), Shanghai Jindun, as a military enterprise, is required to make a filing (the "**Filing**") about the change in its shareholdings as a result of the acquisition by the Group to the State Administration of Science, Technology and Industry for National Defense (**國防科工局**) (the "**Authority**"). Shanghai Jindun has made the Filing. The Authority, however, has suspended the Licenses. The Group is still negotiating with the Authority and working on recovering the Licenses. Since revenue of Shanghai Jindun from military-related customers for each of 2018 and 2019 was less than 1% of its total revenue, the Board considered that the suspension of Licenses would not have material impact on the financial performance of Shanghai Jindun.

3. In June 2019, the Group completed the acquisition of 60% equity interests in Shenyang Jietong, at cash consideration of RMB600,000,000. The vendors of Shenyang Jietong has given guarantees in respect of the financial performance of Shenyang Jietong for the financial years 2018 and 2019, and the Group is entitled to financial compensation in accordance with the terms of the equity transfer agreement if the guaranteed profits or revenue is not achieved. Shenyang Jietong is a company principally engaged in the manufacturing of fire engines and is a leading manufacturer of aerial lifting fire trucks in the PRC. Apart from the financial contributions, the acquisition is expected to strengthen the Group's portfolio of fire engines and enlarge its geographical market coverage and production capacity. In addition, it would allow the Group to have access to Shenyang Jietong's research and know-how, which the Group could leverage on to further accelerate the pace of its business development. Details of the acquisition have been set out in the announcement and circular of the Company dated 31 July 2018 and 24 May 2019 respectively (the "**Shenyang Jietong Announcement and Circular**").

   As per the audited consolidated financial statements of Shenyang Jietong for the year ended 31 December 2018 and audited consolidated financial results of Shenyang Jietong for the year ended 31 December 2019, the 2018 Profit Guarantee, the 2019 Profit Guarantee and the Aggregate Performance Guarantee (as defined in the Shenyang Jietong Announcement and Circular) have been achieved and therefore no financial compensation from the vendors of Shenyang Jietong is required.

4. In July 2019, the Group entered into an investment agreement with the other four parties (three of which are subsidiaries of CIMC) to establish CIMC Anfang Technology Co., Ltd* (**中集安防科技有限公司**) ("**CIMC Anfang**") in the PRC. The business scope of CIMC Anfang includes, among other things, (i) the design, technology development, sale and installation of mobile fire stations and emergency rescue stations; and (ii) the sale and installation of fire engines and fire prevention and fighting equipment. The registered capital of CIMC Anfang is RMB100,000,000, of which 40% will be contributed by the Group. The Group gained control of the board of directors of CIMC Anfang and 60% of the voting rights of CIMC Anfang, through an acting-in-concert agreement entered into with another two shareholders of the CIMC Anfang. As such, CIMC Anfang has been accounted for as a subsidiary of the Company and its financial statements has been consolidated into the Group's consolidated financial statements. As at the date of this report, the Group has contributed RMB8,000,000 to the capital of CIMC Anfang. Details of the investment agreement have been set out in the announcement of the Company dated 16 July 2019.

5. In December 2019, the Company completed the Ziegler Acquisition, The consideration of EUR31,470,000 (equivalent to approximately RMB245,346,000) is to be payable by way of cash (or other kind of consideration as may be agreed by the Group and CIMC Top Gear B.V.) within one year from the date of completing the Ziegler Acquisition. Ziegler was owned as to 40% by the Company and 60% by CIMC Top Gear B.V., a subsidiary of CIMC, prior to the Ziegler Acquisition. Upon completion of the Ziegler Acquisition, Ziegler became a wholly owned subsidiary of the Company. Ziegler is a globally renowned fire engines manufacturer known for its high-quality craftsmanship as well as its technological leadership in customised fire engines and firefighting equipment. It also has a significant share in the European market. By completing the Ziegler Acquisition, the Group consolidates it equity interests in Ziegler as well as its revenue and profit. It may also streamline the development strategies of its fire safety business in the global market. Details of the Ziegler Acquisition have been set out in the announcement and circular of the Company dated 26 September 2019 and 19 November 2019, respectively.

Disposal

In June 2019, the Group disposed of the 10% equity interest it held in Shenzhen CIMC Huijie Supply Chain Co., Ltd. (深圳中集匯杰供應鏈有限公司) ("**Huijie**") (the "**Huijie Disposal**"). The Group acquired the 10% equity interests of Huijie in January 2019 at nil consideration but assuming the obligation of the vendor to contribute to the paid-up capital of Huijie of RMB10,000,000. The Group did not contributed the paid-up capital yet and the purchaser of the Huijie Disposal has assumed the Group's obligation. The Group incurred no gain or loss on the Disposal. Huijie is principally engaged in the trading of ancillary materials for production such as chemical materials, paint, engine oil etc., provision of hazardous waste treatment services, and machinery repairing and maintenance services. The Huijie Disposal allows the Group to better allocate its resources for the development of its core business. Details of the Huijie Disposal have been set out in the announcement of the Company dated 21 June 2019.

Pledge of assets

The Group's non-current borrowings with an outstanding balances of approximately RMB341.8 million at 31 December 2019 were secured by the Group's equity interests held in Shanghai Jindun and Shenyang Jietong.

Capital commitment

As at 31 December 2019, the Group had capital commitment in respect of:

(i) Construction of properties amounted to approximately RMB48 million (2018: RMB63.4 million); 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 RMB2.0 million (2018: RMB5.2 million).

Save as disclosed herein, the Group has no other material capital commitment, contingent liabilities and pledged of assets as at 31 December 2019 and has no other material investments, acquisitions or disposals during the year ended 31 December 2019.

Employees and remuneration policies

For the year ended 31 December 2019, the Group had 5,257 staff (2018: 3,938) and incurred staff costs (excluding directors' remuneration) of approximately RMB1,032.3 million (2018: RMB837.1 million). Number of staff and staff costs increased primarily due to the acquisition of Shanghai Jindun and Shenyang Jietong during the year. The average staff costs of Shanghai Jindun and Shenyang Jietong were lower than that of the other Group companies and therefore have pulled down the average staff costs of the Group for 2019 as compared to 2018. Since the principles of merger accounting was adopted to account for the Ziegler Acquisition, staff number and staff costs of Ziegler have been added to the Group's number for both 2019 and 2018. Staff are remunerated by a monthly salaries payment plus performance incentives payable quarterly or yearly. All full-time employees are entitled to medical, provident funds and housing funds contributions. The Group adopted share option schemes which offer eligible employees an incentive for better performance and loyalty with the Group.

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

Quality control

The ability to keep offering customers quality products and services is essential for the Group to maintain and to enlarge its market shares.

Adapt to market changes

Market changes may be attributable to the changes in technologies, trends, rules and regulations, government policies, economic environment or a combination of these and many other factors. They pose threats and create opportunities at same time. The ability to adapt the Group's strategies and plans and react to the market changes on a timely manner is critical to the Group's long term sustainable growth.

Environmental policies and performance

The Group's environmental policies and performance are set out in the Environmental, Social and Governance Report 2019 of the Group, which is posted on the website of the Stock Exchange.

Compliance with regulations

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 2019 of the Group.

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 2019 of the Group.

The Group recognises 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 AND SENIOR MANAGEMENT

DIRECTORS

Non-executive directors

Dr. LI Yin Hui, aged 52, 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 Ziegler and (iv) the Chairman of Y&C Engine Co., Ltd.. Dr. Li has been working for CIMC for over 15 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 (stock code: 697), 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) from the Jilin University in 1991, a Master's degree in Business Administration from the Nanjing University in 1997 and a Doctorate degree in World Economy from the Jilin University in 2001. Dr. Li completed his Postdoctoral research in China Centre for International Economic Exchanges in 2016.

Mr. YU Yu Qun, aged 54, 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 a non-executive director of CIMC Enric Holdings Limited (stock code: 3899) ("**CIMC Enric**") company 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. Mr. Yu obtained a bachelor's degree and a master's degree in Economics from the Peking University in 1987 and 1992 respectively.

Mr. TAO Kuan, aged 44, was appointed as a non-executive director of the Company on 30 December 2019. He is (i) the General Manager of the Strategic Development Department of CIMC; (ii) directors of a number of subsidiaries of CIMC including the CIMC Modern Logistics Development Co., Ltd., CIMC Modular Building Systems Holding Co., Ltd. and CIMC Capital Ltd.; and (iii) the General Manager of Shenzhen CIMC Investment Co., Ltd. Mr. Tao has over 15 years of working experience in international consulting firms, investment institutions and listed companies with diversified businesses. Mr. Tao obtained a bachelor's degree in Economics from the Nanjing University in 1997 and a master's degree in Economics from the Fudan University in 2000.

Mr. ZENG Han, aged 44, was appointed as a non-executive director of the Company on 30 December 2019. He is (i) the Chief Financial Officer of CIMC; (ii) a non-executive director and a member of the remuneration committee of CIMC Enric (stock code: 3899); (iii) Chairman of Shenzhen CIMC Investment Co., Ltd.; (iv) the General Manager of Shenzhen Southern CIMC Containers Manufacture Co., Ltd.; (v) the General Manager of the Financial Informatisation Department of CIMC; and (vi) directors of various subsidiaries of CIMC. Mr. Zeng is a certified public accountant in the PRC and has over 20 years of working experience in financial management. Mr. Zeng graduated with a major in Statistics from the Hangzhou Institute of Electrical Engineering in 1996 and obtained a master's degree in Management from the Jiangsu University in 1999.

Executive directors

Mr. JIANG Xiong, aged 53, 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. ZHENG Zu Hua, aged 56, 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 Shenzhen CIMC-Tianda Airport Support Ltd. ("**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 Global Limited. 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.

Independent non-executive directors

Dr. LOKE Yu alias Loke Hoi Lam, aged 70, 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 41 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 member of The Institute of Chartered Accountants in England and Wales, The 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 (stock code: 976), Forebase International Holdings Limited (stock code: 2310), Hang Sang (Siu Po) International Holding Company Limited (stock code: 3626), Hong Kong Resources Holdings Company Limited (stock code: 2882), Matrix Holdings Limited (stock code: 1005), TC Orient Lighting Holdings Limited (stock code: 515), Tianhe Chemicals Group Limited (stock code: 1619), Tianjin Development Holdings Limited (stock code: 882), TradeGo Fintech Limited (stock code: 8017), V1 Group Limited (stock code: 82), Zhenro Properties Group Limited (stock code: 6158) and Zhong An Group Limited (stock code: 672) (formerly known as 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: Winfair Investment Company Limited (stock code: 287) from April 2007 to April 2018, China Household Holdings Limited (currently known as Shenzhou Space Park Group Limited) (stock code: 692) from August 2013 to August 2018, SCUD Group Limited (stock code: 1399) from May 2009 to September 2018, China Beidahuang Industry Group Holdings Ltd. (stock code: 39) from June 2005 to October 2018 and Lamtex Holdings Limited (stock code: 1041) from July 2015 to March 2020. Dr. Loke is a brother-in-law of Mr. Heng Ja Wei's father.

Mr. HENG Ja Wei, aged 42, 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 (stock code: 1488), Lee & Man Chemical Company Limited (stock code: 746), Matrix Holdings Limited (stock code: 1005) and SCUD Group Limited (stock code: 1399). He also serves as the company secretary and authorised representative of China Life Insurance Company Limited (stock code: 2628). Mr. Heng is a son of a brother-in-law of Dr. Loke Yu.

Mr. HO Man, aged 50, 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 (stock code: 1399) from December 2006 to October 2009 and Shanghai Tonva Petrochemical Co., Ltd. (currently known as Shanghai Dasheng Agriculture Finance Technology Co., Ltd) (stock code: 1103) from September 2008 to October 2009; and an independent non-executive director of Momentum Financial Holdings Limited (stock code: 1152) from November 2016 to July 2019, all being companies whose shares are listed on the Stock Exchange. He was the independent director of Shenzhen Forms Syntron Information Co. Ltd (stock code: 300468), 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 (stock code: 1777), since October 2009; an independent non-executive director of Fu Shou Yuan International Group Limited (stock code: 1448), since December 2013; an independent non-executive director of Magnus Concordia Group Ltd. (stock code: 1172), since January 2018; an independent non-executive director of Wanjia Group Holdings Limited (stock code: 401) since February 2018; and an independent non-executive director of Grand Ocean Advanced Resources Company Limited (stock code: 65), since January 2020, 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, 45, is an assistant to the Chief Executive Officer of the Company, Head of the marketing committee of the Company, a Deputy General Manager of SZ TianDa, the Presidents of CIMC-TianDa Jirong Aviation Air-conditioning Co., Ltd. ("**Tianda Jirong**") and CIMC-TianDa Fucheng Airport Equipment Chengdu Co., Ltd. ("**Tianda Fucheng**"), both are subsidiaries of the Company. Tianda Jirong is engaged in the design, production, sale, installation and maintenance of aircraft pre-conditioned air supply systems. Tianda Fucheng is engaged in the provision of airport ground support services in the south-western region in the PRC. 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, 45, is an assistant to the Chief Executive Officer of the Company, the General Manager of the Materials Handling System (MHS) business unit of the Group and the General Manager of the Company's management development department. Mr. Li is responsible for the operation and management of the MHS business and 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.

DIRECTORS AND SENIOR MANAGEMENT

Mr. LUAN You Jun, aged 55, is a Vice-President of the Company. He is also (i) the Chairman and the Chief Executive Officer of Ziegler; and (ii) the Vice-Chairman of SZ TianDa. Mr. Luan served as an executive director of the Company during the period from July 2015 to December 2020. Mr. Luan has been working for CIMC for over 25 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.

Mr. WANG De Feng, aged 51, is the president of Sichuan Chuanxiao Fire Trucks Manufacturing Co., Ltd., a subsidiary of the Company 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 operation, production and sales management of the Group's Sichuan manufacturing base. 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, 48, is an assistant to the Chief Executive Officer of the Company, an Acting General Manager of SZ TianDa and the General Manager of the GSE business unit of the Group. Mr. Yao is responsible for overseeing the Group's passengers boarding bridges (PBB) and 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, 62, is the Deputy General Manager of the Company and the General Manager of Shenyang Jietong. 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. Before joining SZ TianDa, Mr. Zhu was the deputy finance director of 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 2019, 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 two executive directors, four non-executive directors and three independent non-executive directors. Name of the directors are set out in the table below. Mr. Heng Ja Wei is a son of a brother-in-law of Dr. Loke Yu.

There were twelve 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)	11/12
Mr. Yu Yu Qun	6/12
Mr. Tao Kuan (appointed on 30 December 2019)	N/A*
Mr. Zeng Han (appointed on 30 December 2019)	N/A*
Mr. Robert Johnson (resigned on 30 December 2019)	8/12
Executive directors	
Mr. Jiang Xiong (Honorary Chairman)	12/12
Mr. Zheng Zu Hua (Chief Executive Officer)	12/12
Mr. Luan You Jun (resigned on 30 December 2019)	10/12
Independent non-executive directors	
Dr. Loke Yu	12/12
Mr. Heng Ja Wei	12/12
Mr. Ho Man	12/12

* There was no Board meeting held since the appointment of the respective directors up to 31 December 2019.

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. Tao Kuan	Attend courses and trainings
Mr. Zeng Han	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
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 2019 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 43 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 five 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
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. Experts and consultants may sometimes be engaged to assist the internal audit team in enhancing their work effectiveness. 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 2019, 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	4,330
For other services in relation to acquisitions	5,260
	9,590

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 27 June 2019 in Hong Kong. Other than Dr. Li Yin Hui, Mr. Yu Yu Qun and Mr. Luan You Jun, all the directors of the Company have attended the meeting. Besides, the Company held an extraordinary general meeting (EGM) on 14 June 2019 and two EGMs on 11 December 2019. All directors attended all the EGMs apart from Mr. Yu Yu Qun who absent from the EGMs on 11 December 2019 and Mr. Luan You Jun and Mr. Robert Johnson who absent from all the EGMs. The directors were occupied by other businesses and thus led to their absences.

DIVIDEND POLICY

The Board has approved and adopted a dividend policy and according to it, the Company intends to pay out an annual dividend payment at a payout ratio of not less than 25% of the profit attributable to owners of the Company for a financial year.

A decision to declare or to pay any dividends, and the amount of dividends, will be based on the recommendation of the Board after taking into consideration of, inter alia, the following factors:

(i) the financial results and financial condition of the Group;

(ii) the Group's actual and future operations and liquidity position;

(iii) the Group's expected working capital requirements, capital expenditure requirements and future expansion plans;

(iv) the Group's debt-to-equity ratio, return on equity and committed financial covenants;

(v) the retained earnings and distributable reserves of the Company and each of the members of the Group; and

(vi) any other factors that the Board deems appropriate.

Such declaration and payment of dividends shall remain to be determined at the sole discretion of the Board and subject to all applicable requirements under the Companies Law of the Cayman Islands and the articles of association of the Company.

The Board endeavors to strike a balance between the Shareholders' interests and prudent capital management and the Board will review the dividend policy from time to time and may exercise at its sole and absolute discretion to update, amend and/or modify the policy at any time as it deems fit and necessary. There is no assurance that dividends will be paid in any particular amount for any given period.

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 2019.

1. PRINCIPAL ACTIVITIES AND SEGMENT ANALYSIS OF OPERATIONS

The Company acts as an investment holding company. The activities of its subsidiaries and associates are set out in notes 21 and 19 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 2019 are set out in the consolidated statement of profit or loss and consolidated statement of comprehensive income on page 57 and 58.

The directors recommended the payment of final dividends of HK0.42 cent per fully paid share of HK$0.01 each of the Company (the "**Share**") (2018: Nil). The aggregate amount of the proposed final dividends of approximately HK$66,949,000 (equivalent to approximately RMB59,915,000, assuming no change in the number of issued Shares from the date of this report to the dividend ex-entitlement date) is expected to be paid out of the share premium account of the Company. The payment of the proposed final dividends is subject to the approval of the Shareholders of the Company at the forthcoming annual general meeting of the Company and in accordance with the Company Law of the Cayman Islands and the articles of association of the Company.

3. SHARES ISSUED DURING THE YEAR

Details of the shares issued during the year ended 31 December 2019 are set out in note 29 to the consolidated financial statements.

4. DISTRIBUTABLE RESERVES

The Company's reserves available for distribution to shareholders as at 31 December 2019 were RMB4,480,834,000 (2018: RMB4,068,475,000).

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 two acquisitions completed in 2018. 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 arrears on each anniversary from the issue date. Subject to the terms and condition of the convertible bonds, each bondholders has the right to convert the bonds into Shares of the Company, credited as fully paid, at any time from the issue date to maturity date, at an initial conversion price of HKD0.366 per Share, 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 2019, 916,692,965 shares were issued upon conversion of convertible bonds in the principal amount of approximately RMB285,183,000 (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 years ended 31 December 2019 and 2018 are set out in note 32 to the consolidated financial statements.

(b) Share options granted to directors and employees

The Company adopted a new share option scheme (the "**New Share Option Scheme**") on 13 December 2019 upon fulfillment of the conditions precedents of the New Share Option Scheme which included the passing of an ordinary resolution to approve the adoption of the New Share Option Scheme by the Shareholders of the Company at the EGM convened. The ordinary resolution was passed by the Shareholders at the EGM held on 11 December 2019. No share options have been granted under the New Share Option Scheme since it has been adopted.

Particulars of the New Share Option Scheme are set out in note 39 to the consolidated financial statements.

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

(b) **Share options granted to directors and employees** *(cont'd)*

Prior to the New Share Option Scheme, the Company had a share option scheme that was adopted on 29 May 2009 (the "**2009 Share Option Scheme**") and expired on 28 May 2019. Upon the expiry of the 2009 Share Option Scheme, no further options shall be granted thereunder. However, the provisions of the 2009 Share Option Scheme shall remain in full force to the extent necessary to give effect to the exercise of the options which were granted during the life of the 2009 Share Option Scheme, and continue to be exercisable in accordance with their terms of issue. Details of the movement of the share options granted under the 2009 Share Option Scheme are as follows:

Grantees	Number of Shares issuable under the share options Outstanding at 1 January and 31 December 2019	Exercise price HKD	Percentage of issued share capital of the Company at 31 December 2019
Executive director			
Mr. Jiang Xiong	4,000,000	0.42	0.025%
Independent non-executive directors			
Dr. Loke Yu	4,000,000	0.42	0.025%
Mr. Heng Ja Wei	4,000,000	0.42	0.025%
Mr. Ho Man	2,000,000	0.42	0.013%
	14,000,000		0.088%
Other employees	101,625,000	0.42	0.638%
	115,625,000		0.726%

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

(b) Share options granted to directors and employees *(cont'd)*

The share options outstanding at 1 January and 31 December 2019 were granted on 26 August 2015 and are valid for 10 years from 26 August 2015 to 25 August 2025 (both dates inclusive).

All of the share options outstanding were vested and available for exercise on 11 July 2017. Save as disclosed, no share option has been granted, exercised, lapsed or cancelled during the year ended 31 December 2019.

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 220 of the annual report.

8. PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the year ended 31 December 2019, 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. Tao Kuan (appointed on 30 December 2019)
Mr. Zeng Han (appointed on 30 December 2019)
Mr. Robert Johnson (resigned on 30 December 2019)

Executive directors

Mr. Jiang Xiong (Honorary Chairman)
Mr. Zheng Zu Hua
Mr. Luan You Jun (resigned on 30 December 2019)

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. Tao Kuan, Mr. Zeng Han and Mr. Heng Ja Wei 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

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 18 of this annual report.

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

Save as disclosed below, as of 31 December 2019, 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 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 held	Percentage of issued capital of the Company
Mr. Jiang Xiong	Beneficial owner	981,600,000	6.16%

Mr. Zheng Zu Hua owns 7.2% of the equity interests of Shenzhen TGM Ltd.* (深圳特哥盟有限公司) ("**TGM**") which indirectly held 2,616,751,693 Shares, representing 16.41% of the issued share capital of the Company at 31 December 2019.

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 employees" to this report.

No options were granted to or exercised by the directors of the Company during the year ended 31 December 2019.

14. DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than as disclosed in section 5(b) "Share options granted to directors and 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 2019, 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 at 31 December 2019 *(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 at 31 December 2019 *(Note 12)*
Sharp Vision Holdings Limited ("**Sharp Vision**")	Beneficial owner	6,755,369,842	42.38%	2,863,592,755	9,618,962,597	49.03%
CIMC Top Gear B.V.	Beneficial owner	1,223,571,430	7.68%	–	1,223,571,430	6.24%
Cooperatie CIMC U.A.	Interest of a controlled corporation *(Note 1)*	1,223,571,430	7.68%	–	1,223,571,430	6.24%
China International Marine Containers (Hong Kong) Limited ("**CIMC HK**")	Interest of a controlled corporation *(Note 2 & 3)*	7,978,941,272	50.06%	2,863,592,755	10,842,534,027	55.27%
CIMC	Interest of a controlled corporation *(Note 4)*	7,978,941,272	50.06%	2,863,592,755	10,842,534,027	55.27%
Fengqiang Holdings Limited ("**Fengqiang**")	Beneficial owner	2,616,751,693	16.41%	–	2,616,751,693	13.34%
Fengqiang Hong Kong Co., Limited ("**Fengqiang HK**")	Interest of a controlled corporation *(Note 5)*	2,616,751,693	16.41%	–	2,616,751,693	13.34%
TGM	Interest of a controlled corporation *(Note 5)*	2,616,751,693	16.41%	–	2,616,751,693	13.34%

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 at 31 December 2019 *(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 at 31 December 2019 *(Note 12)*
Genius Earn Limited	Beneficial owner	20,000,000	0.13%	–	20,000,000	0.10%
Lucky Rich Holdings Limited ("**Lucky Rich**")	Beneficial owner	1,263,079,470	7.92%	277,719,300	1,540,798,770	7.86%
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)*	1,263,079,470	7.92%	277,719,300	1,540,798,770	7.86%
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)*	1,263,079,470	7.92%	277,719,300	1,540,798,770	7.86%
Liu Xiaolin	Interest of a controlled corporation *(Note 7)*	1,283,079,470	8.05%	277,719,300	1,560,798,770	7.96%
Yang Yuan	Interest of Spouse *(Note 8)*	1,283,079,470	8.05%	277,719,300	1,560,798,770	7.96%
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)*	1,263,079,470	7.92%	277,719,300	1,540,798,770	7.86%
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)*	1,263,079,470	7.92%	277,719,300	1,540,798,770	7.86%
Zhongrong International Trust Co., Ltd.* (中融國際信託有限公司)	Interest of a controlled corporation *(Note 9)*	1,263,079,470	7.92%	277,719,300	1,540,798,770	7.86%
Jingwei Textile Machinery Co., Ltd	Interest of a controlled corporation *(Note 9)*	1,263,079,470	7.92%	277,719,300	1,540,798,770	7.86%

* 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 6,755,369,842 Shares and 2,863,592,755 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 7,978,941,272 Shares and 2,863,592,755 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 2,616,751,693 Shares in which Fengqiang has declared an interest for the purpose of the SFO. TGM is beneficially interested in the entire share capital of Fengqiang HK and is deemed or taken to be interested in the 2,616,751,693 Shares 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 1,263,079,470 Shares and 277,719,300 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 20,000,000 Shares in which Genius Earn Ltd. has declared an interest for the purpose of SFO. Mr. Liu Xiaolin is beneficially interested in the entire share capital of Shenzhen Jiuming Investment Consulting Co., Ltd.

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

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 as at 31 December 2019.

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 of the outstanding convertible bonds had been fully converted; and (ii) all of the outstanding share options of the Company had been exercised, as at 31 December 2019.

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 2019.

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 2019, 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 2019, the Company entered into the following transactions with connected parties, as defined in the Listing Rules. Apart from Shenzhen Daohe in the agreement in (b) below, the counterparties in the agreements in (a) to (g) below are either CIMC, the controlling shareholder of the Company, or subsidiaries of CIMC.

Connected transactions

(a) On 21 June 2019, 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 Shenzhen CIMC Investment Co., Ltd* (**深圳市中集投資有限公司**) ("**CIMC Investment**"), to sell the 10% equity interests held in Shenzhen CIMC Huijie Supply Chain Co., Ltd.* (**深圳中集匯杰供應鏈有限公司**) ("**Huijie**") at nil consideration. CIMC Investment agreed to assume the obligation of Allied Best (China) to contribute RMB10,000,000 to the registered capital of Huijie in accordance with the terms of the equity transfer agreement (the "**Huijie Disposal**").

Details of the Huijie Disposal have been set out in the announcement of the Company dated 21 June 2019.

(b) On 16 July 2019, Allied Best (China) entered into an investment agreement with CIMC Technology Co., Ltd* (**中集技術有限公司**) ("**CIMC Technology**"), CIMC Finance Leasing Co., Ltd* (**中集融資租賃有限公司**) ("**CIMC Leasing**"), CIMC Investment, and Shenzhen Daohe Venture Capital Partnership Enterprise* (**深圳道合創業投資合夥企業**) ("**Shenzhen Daohe**") to establish CIMC Anfang Technology Co., Ltd.* (**中集安防科技有限公司**) ("**CIMC Anfang**") in the PRC. The registered capital of CIMC Anfang is RMB100,000,000, of which 40% will be contributed by the Group. The Group gained control of the board of directors of CIMC Anfang and 60% of the voting rights of CIMC Anfang, through an acting-in-concert agreement entered into with Shenzhen Daohe and CIMC Investment. As such, CIMC Anfang is accounted for as a subsidiary of the Company and its financial results are consolidated into the Group's consolidated financial statements.

Details of the investment agreement have been set out in the announcement of the Company dated 16 July 2019.

18. CONNECTED TRANSACTIONS *(cont'd)*

Connected transactions *(cont'd)*

(c) On 26 September 2019, China Fire Safety Enterprise Group Limited, an indirect wholly owned subsidiary of the Company entered into a sale and purchase agreement for the Ziegler Acquisition with CIMC Top Gear B.V.. The consideration was agreed at EUR31,470,000 (equivalent to approximately RMB245,346,000), payable by way of cash (or other kind of consideration as may be agreed by the Group and CIMC Top Gear B.V.) within one year from the date of completing the Ziegler Acquisition. The Ziegler Acquisition was completed on 23 December 2019.

Details of the Ziegler Acquisition have been set out in the announcement and circular of the Company dated 26 September 2019 and 19 November 2019, respectively.

Continuing connected transactions

(d) 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.

On 13 March 2019, the annual caps for the deposit services under the financial services framework agreement with CIMC Finance were revised. The caps for 2019 and 2020 were increased from RMB85,000,000 and RMB90,000,000, respectively, to RMB150,000,000 for each of the two years.

For the year ended 31 December 2019, pursuant to the financial services framework agreement, the actual daily closing cash balance of deposits with CIMC Finance had been kept below the cap set for 2019.

For the year ended 31 December 2019, pursuant to the financial services framework agreement, the aggregate amount of other financial services expenses was approximately RMB32,000.

Details of the financial services framework agreement and the revision of annual caps for deposit services have been set out in the announcement of the Company dated 29 June 2018 and 13 March 2019, respectively.

18. CONNECTED TRANSACTIONS *(cont'd)*

Continuing connected transactions *(cont'd)*

(e) 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 (as amended and supplemented by the First Supplemental Master Sale and Purchase Agreement dated 19 October 2018). Pursuant to the agreements, the Group may enter into transactions with CIMC and/or its subsidiaries up to 31 December 2020.

On 15 August 2019, the Company entered into three supplemental agreements, namely the Second Supplemental Master Sales and Purchase Agreement, the Supplemental Master Installation Service Agreement and the Supplemental Master Sales and Purchase Agreement to amend the product range/scope of services and the annual caps for 2019 and 2020 of the aforementioned related master agreements.

For the year ended 31 December 2019, pursuant to the Master Sourcing Agreement, the Master Transportation Agreement, the Master Sales and Purchase Agreement and their related supplemental agreements, the Group had the following transactions:

Agreement	**Transactions**	**Aggregate amount** (RMB)
Master Sourcing Agreement	Purchase of materials and component parts from connected parties	13,314,000
Master Transportation Agreement	Receive transportation services from connected parties	7,065,000
Master Sales and Purchase Agreement	Sale of goods to connected parties	54,416,000

Details of the Master Sourcing Agreement, the Master Transportation Agreement, the Master Installation Agreement and the Master Sales and Purchase Agreement have been 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.

Details of the Second Supplemental Master Sales and Purchase Agreement, the Supplemental Master Installation Service Agreement and the Supplemental Master Sales and Purchase Agreement have been set out in the announcement of the Company dated 15 August 2019.

18. CONNECTED TRANSACTIONS *(cont'd)*

Continuing connected transactions *(cont'd)*

(f) On 20 September 2018, the Company entered into a management services agreement with each of CIMC-Tianda Holdings (Shenzhen) Limited ("**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 2019, pursuant to the CIMC-Tianda Shenzhen Management Service Agreement and the AZ Management Service Agreement, the aggregate amount of management fee income was approximately RMB3,456,000 and RMB531,000, respectively.

Upon completion of the Ziegler Acquisition on 23 December 2019, Ziegler Beijing became a wholly owned subsidiary of the Company, management services provide by the Group pursuant to the AZ Management Service Agreement, therefore, no longer constitute the Group's connected transactions.

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.

(g) On 15 August 2019, the Company entered into an office management service agreement with CIMC, namely the Master Office Management Service Agreement, pursuant to which CIMC or its subsidiaries may provide administrative and management services, including but not limited to, employee meals, vehicle use, office and office furniture, office equipment, network communication facility leasing, human resources management consultation, financial agency, accounting and tax filing services, and legal advisory services to the Group up to 31 December 2020.

For the year ended 31 December 2019, pursuant to the Master Office Management Service Agreement, the aggregate amount of service fee incurred was approximately RMB200,000.

Details of the Master Office Management Service Agreement have been set out in the announcement of the Company dated 15 August 2019.

18. CONNECTED TRANSACTIONS *(cont'd)*

Continuing connected transactions *(cont'd)*

The aforesaid continuing connected transactions have been reviewed by independent non-executive directors of the company. The independent non-executive directors have 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 42 of this annual report in accordance with paragraph 14A. 56 of the Listing Rules. 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 41 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 2019.

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 share option scheme have been set out in note 39 to the consolidated financial statements.

22. BUSINESS REVIEW

Business review of the Company is set out in "Management Discussion and Analysis" 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 occurring after the reporting period are set out in note 40 to the consolidated financial statements.

25. AUDITOR

The consolidated financial statements for the year ended 31 December 2019 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 2020

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 57 to 219, which comprise:

- the consolidated statement of financial position as at 31 December 2019;
- 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 2019, 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 requirements 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 materials handling systems business using over time method
- 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 2.9 of accounting policy of "impairment of non-financial assets", Note 4 "Critical accounting estimates and assumptions" and Note 18 "Intangible assets" to the consolidated financial statements. As at 31 December 2019, there was goodwill with carrying amount of Renminbi ("**RMB**") 389,750,000 arising from acquisitions during the current year and previous years. Impairment provision of RMB5,288,000 had been recognised during the year ended 31 December 2019 against the carrying amounts. Management has performed impairment assessments to determine the recoverable amounts of the goodwill at the balance sheet date. The recoverable amounts of the goodwill is determined based on fair value less costs of disposal or value-in-use calculations (whichever is the higher), using the discounted cash flow model. These calculations involved significant management's judgements and estimates in determining the appropriate key assumptions (including revenue growth rates, gross margins, terminal growth rates and pre-tax discount rates) used in the impairment assessment.	We have performed the following procedures to address this key audit matter: – 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: (i) comparing historical actual results to those budgets and forecasts to assess the management's historical estimation accuracy; (ii) assessing the aforesaid key assumptions taking into account market developments by comparing with the industry or market data; (iii) testing key data input to supporting evidence, such as approved budgets and orders on hand and considering the reasonableness of these budgets;

Key Audit Matters *(cont'd)*

Key Audit Matter	How our audit addressed the Key Audit Matter
<u>**Goodwill impairment assessment**</u> *(cont'd)* We focused on this area due to the significant management judgements and estimates were involved in the impairment assessment.	– 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; and – 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 our work performed, we found that management's key estimates and assumptions as adopted in the goodwill impairment assessments were supported by the available evidence.

Key Audit Matters *(cont'd)*

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition for the materials handling systems business using over time method Refer to Note 2.29 "Revenue recognition", 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 materials handling systems ("**MHS**"). For the year ended 31 December 2019, revenue for MHS of RMB651,497,000 was recognised on the over time basis. For the revenue from MHS is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation, is measured mainly by reference to the proportion of costs incurred for work performed to date to estimated total budget costs for each contract. Management estimates the total revenue and total budget costs at the inception, and regularly assess the progress of each contract.	We have performed the following procedures to address this key audit matter: – We understood, evaluated and tested the key controls over the contract budgeting and management process; – We discussed with management and the respective project teams about the progress of the projects and relevant contract terms; – We checked progress toward satisfaction of performance obligation of projects, on a sample basis, by performing the following procedures: (i) discussed with management and assessed the reasonableness of the cost budgets for the projects under development by: a) comparing the actual costs of completed projects to management's prior estimations of total costs; b) comparing the cost budget of projects under development to the actual cost of completed projects, taking into account the type of projects; and c) comparing the cost budget of projects to the budget approved by management;

Key Audit Matters *(cont'd)*

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition for the materials handling systems business using over time method *(cont'd)* We focused on this area due to the significant management's judgements and estimates involved in the estimate of the total revenue, total budgeted costs as well as the progress of each contract.	(ii) 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; and (iii) tested the mathematical accuracy of management's calculation on the progress of performance for selected projects. Based on our work performed, we found that management's judgements and estimates adopted by management in determining the revenue recognition from MHS were supported by available evidence.

Key Audit Matters *(cont'd)*

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of trade receivables Refer to Note 2.10 "Financial assets", Note 4 "Critical accounting estimates and assumptions" and Note 24 "Trade and other receivables" to the consolidated financial statements. As of December 31, 2019, the Group's trade receivables were amounted to RMB2,521,816,000 before the allowance for impairment of RMB119,343,000. Loss allowances for trade receivables are determined based on management's assessment on the lifetime expected credit losses of trade receivables (the "**ECL assessment**"). For the ECL assessment, the management estimated the expected credit losses to be incurred by considering the historical credit loss rates, past collection information and aging profiles of trade receivables, with an adjustment to reflect both the current conditions and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables (the "**forward-looking factors**"). We focused on this area due to the significance of the trade receivables balance and the significant management's judgements and estimates involved in the ECL assessment.	We have performed the following procedures to address this key audit matter: (i) Understood, evaluated and validated the relevant controls over credit risk assessment, debt collection and the ECL assessment; (ii) Obtained management's worksheets of ECL calculations and tested the mathematical accuracy of the calculations; (iii) Evaluated the reliability of the key data inputs in the ECL calculations (including historical credit loss rates, past collection information and aging profiles of trade receivables) by comparing them, on a sample basis, to the underlying financial records and supporting documents; and (iv) Understood and evaluated the management's process in identifying the relevant forward-looking factors (including GDP growth rates and inflation rates etc.) and evaluated the reasonableness of management's estimation on the expected changes in these forward-looking factors by comparing them to the information as obtained from our independent research. Based on our work performed, we found that management's judgements and estimates used in the ECL 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 all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do 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 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, 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.

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 requirements 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 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2019

	Note	Year ended 31 December 2019 RMB'000	2018 RMB'000 (restated)
Revenue	5	**5,957,661**	4,367,631
Cost of sales and services	10	**(4,758,323)**	(3,592,853)
Gross profit		**1,199,338**	774,778
Selling and distribution expenses	10	**(257,288)**	(189,646)
General and administrative expenses	10	**(613,349)**	(449,193)
Net impairment losses on financial and contract assets		**(24,678)**	(21,173)
Other income	6	**96,999**	102,380
Other (losses)/gains – net	7	**(21,985)**	42,745
Operating profit		**379,037**	259,891
Finance costs	8	**(78,742)**	(35,077)
Share of net profit of associates	19	**15,106**	3,447
Profit before income tax		**315,401**	228,261
Income tax expense	9	**(71,339)**	(33,117)
Profit for the year		**244,062**	195,144
Profit for the year attributable to:			
Owners of the Company		**215,736**	177,713
Non-controlling interests		**28,326**	17,431
		244,062	195,144
		RMB cents	RMB cents
Earnings per share for profit attributable to the owners of the Company:			
Basic	13	**1.46**	1.49
Diluted	13	**1.18**	1.08

The notes on pages 64 to 219 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Note	Year ended 31 December 2019 RMB'000	2018 RMB'000 (restated)
Profit for the year		**244,062**	195,144
Other comprehensive income			
Items that may be reclassified to profit or loss			
Exchange differences on translating foreign operations		**44,830**	11,286
Share of other comprehensive loss of associates	19	**–**	(43)
		44,830	11,243
Items that will not be reclassified to profit or loss			
Remeasurement of defined benefit liabilities		**(3,094)**	616
Remeasurement of other employee benefit		**(378)**	(554)
		(3,472)	62
Other comprehensive income for the year, net of tax		**41,358**	11,305
Total comprehensive income for the year		**285,420**	206,449
Total comprehensive income for the year attributable to:			
– Owners of the Company		**256,767**	189,088
– Non-controlling interests		**28,653**	17,361
		285,420	206,449

The notes on pages 64 to 219 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Note	As at 31 December 2019 RMB'000	2018 RMB'000 (restated)
ASSETS			
Non-current assets			
Prepaid land lease payments	14	**–**	113,274
Property, plant and equipment	15	**1,203,327**	945,405
Right-of-use assets	16	**382,970**	–
Investment properties	17	**256,835**	251,069
Intangible assets	18	**776,004**	402,954
Investments in associates	19	**204,504**	182,598
Deferred income tax assets	28	**74,336**	61,598
Other non-current assets	20	**3,716**	358,316
Total non-current assets		**2,901,692**	2,315,214
Current assets			
Inventories	23	**2,252,450**	1,558,155
Contract assets	26	**673,281**	410,204
Trade receivables	24	**2,402,473**	1,548,665
Prepayments and other receivables	24	**615,621**	526,038
Financial assets at fair value through other comprehensive income	25	**16,829**	22,065
Amounts due from related parties	41	**27,165**	29,376
Financial assets at fair value through profit or loss		**88**	–
Pledged bank deposits	27	**34,342**	17,057
Cash and cash equivalents	27	**768,386**	557,469
Total current assets		**6,790,635**	4,669,029
Total assets		**9,692,327**	6,984,243
LIABILITIES			
Non-current liabilities			
Trade and other payables	31	**37,144**	32,293
Lease liabilities	16	**122,081**	–
Finance lease liabilities		**–**	267
Convertible bonds	32	**73,322**	84,327
Borrowings	33	**341,819**	155,416
Deferred income tax liabilities	28	**70,886**	26,940
Deferred income	35	**83,550**	66,619
Provisions	34	**2,564**	4,929
Total non-current liabilities		**731,366**	370,791

The notes on pages 64 to 219 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Note	As at 31 December 2019 RMB'000	2018 RMB'000 (restated)
Current liabilities			
Trade and other payables	31	**1,964,205**	1,533,116
Amounts due to related parties	41	**349,849**	79,247
Contract liabilities	26	**1,338,812**	744,088
Current income tax liabilities		**46,598**	53,951
Borrowings	33	**1,585,909**	1,088,755
Lease liabilities	16	**17,683**	–
Finance lease liabilities		**–**	71
Financial liabilities at fair value through profit or loss		**984**	–
Provisions	34	**138,482**	107,517
Total current liabilities		**5,442,522**	3,606,745
Total liabilities		**6,173,888**	3,977,536
Net assets		**3,518,439**	3,006,707
EQUITY			
Share capital	29	**136,512**	123,522
Reserves	30	**2,974,939**	2,835,739
Equity attributable to owners of the Company		**3,111,451**	2,959,261
Non-controlling interests		**406,988**	47,446
Total equity		**3,518,439**	3,006,707

The notes on pages 64 to 219 form an integral part of these consolidated financial statements.

The financial statements on pages 57 to 219 were approved by the Board of Directors on 25 March 2020 and were signed on its behalf.

Li Yin Hui
Director

Zheng Zu Hua
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

		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 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
Ziegler under common control combination	2.1(b)	–	–	–	–	–	323,345	–	–	323,345	217,685	541,030
Balance as at 1 January 2018 (restated)		51,753	1,914,868	23,284	9,378	1,767,791	(2,798,237)	32,781	546,091	1,547,709	459,090	2,006,799
Comprehensive income												
– Profit for the year		–	–	–	–	–	–	–	177,713	177,713	17,431	195,144
– Currency translation differences		–	–	–	–	–	–	11,356	–	11,356	(70)	11,286
– Share of other comprehensive income of associates		–	–	–	–	–	(43)	–	–	(43)	–	(43)
– Remeasurement of employee benefit		–	–	–	–	–	62	–	–	62	–	62
Total comprehensive income for the year		–	–	–	–	–	19	11,356	177,713	189,088	17,361	206,449
Transaction with owners												
– Issuance of ordinary shares pursuant to reverse acquisition	30(b)	39,977	1,037,907	–	–	–	164,636	–	–	1,242,520	–	1,242,520
– Issuance of convertible bonds pursuant to reverse acquisition – liability portion	30(c)	–	–	–	–	–	–	–	(102,519)	(102,519)	–	(102,519)
– Non-controlling interests recognised pursuant to reverse acquisition	30(a)	–	–	–	–	–	(7,441)	–	–	(7,441)	7,441	–
– Transaction with non-controlling interests	29(d)	8,135	300,983	–	–	289,893	(406,624)	–	–	192,387	(209,198)	(16,811)
– Issuance of ordinary shares	29(e)	5,448	191,770	–	–	–	–	–	–	197,218	–	197,218
– Issuance of shares upon conversion of convertible bonds	29(f)	18,209	709,911	–	–	(688,120)	–	–	–	40,000	–	40,000
– Dividends to non-controlling interests		–	–	–	–	–	–	–	–	–	(1,859)	(1,859)
– Acquisition of additional interest in Ziegler	2.1(b)	–	–	–	–	–	(339,701)	–	–	(339,701)	(225,389)	(565,090)
Total transactions with owners, recognised directly in equity		71,769	2,240,571	–	–	(398,227)	(589,130)	–	(102,519)	1,222,464	(429,005)	793,459
Balance at 31 December 2018 (restated)		123,522	4,155,439	23,284	9,378	1,369,564	(3,387,348)	44,137	621,285	2,959,261	47,446	3,006,707

The notes on pages 64 to 219 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

		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 2019		123,522	4,155,439	23,284	9,378	1,369,564	(3,387,348)	44,137	621,285	2,959,261	47,446	3,006,707
Comprehensive income												
– Profit for the year		–	–	–	–	–	–	–	215,736	215,736	28,326	244,062
– Currency translation differences		–	–	–	–	–	–	44,503	–	44,503	327	44,830
– Remeasurement of employee benefit		–	–	–	–	–	(3,472)	–	–	(3,472)	–	(3,472)
Total comprehensive income for the year		–	–	–	–	–	(3,472)	44,503	215,736	256,767	28,653	285,420
Transaction with owners												
– Issuance of ordinary shares pursuant to acquisition of Shanghai Jindun	29(g)	4,734	132,570	–	–	–	–	–	–	137,304	–	137,304
– Capital disposal from non-controlling interest of a subsidiary without loss of control	21(a)	–	–	–	–	–	1,282	–	–	1,282	6,218	7,500
– Dividends to non-controlling interests		–	–	–	–	–	–	–	–	–	(3,963)	(3,963)
– Non-controlling interests recognised upon acquisition of a subsidiary	37(b)	–	–	–	–	–	–	–	–	–	319,634	319,634
– Capital injection from non-controlling interest of a subsidiary	21(a)	–	–	–	–	–	–	–	–	–	9,000	9,000
– Issuance of shares upon conversion of convertible bonds	29(f)	8,256	290,660	–	–	(280,353)	–	–	–	18,563	–	18,563
– Profit appropriations to statutory reserves	30(d)	–	–	–	11,156	–	–	–	(11,156)	–	–	–
– Contribution from shareholders		–	–	–	–	–	(16,380)	–	–	(16,380)	–	(16,380)
– Distribution to previous shareholder of Ziegler under common control combination	2.1(b)	–	–	–	–	–	(245,346)	–	–	(245,346)	–	(245,346)
Total transactions with owners, recognised directly in equity		12,990	423,230	–	11,156	(280,353)	(260,444)	–	(11,156)	(104,577)	330,889	226,312
Balance at 31 December 2019		136,512	4,578,669	23,284	20,534	1,089,211	(3,651,264)	88,640	825,865	3,111,451	406,988	3,518,439

The notes on pages 64 to 219 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Note	Year ended 31 December 2019 RMB'000	2018 RMB'000 (restated)
Cash flows from operating activities			
Cash generated from operating activities	36	**428,733**	80,757
Income tax paid		**(73,832)**	(43,760)
Net cash generated from operating activities		**354,901**	36,997
Cash flows from investing activities			
Additions to property, plant and equipment and intangible assets		**(96,968)**	(121,859)
Proceeds from disposal of property, plant and equipment	36	**322**	2,141
Proceeds from disposal of intangible assets		**2,800**	–
Proceeds from disposal of other financial assets		**–**	662
Interest received		**3,270**	2,314
Dividend received from an associate		**3,687**	–
Other dividends received		**–**	31
Acquisition of subsidiaries, net of cash acquired	37	**(385,474)**	78,050
Prepayment for acquisition of subsidiaries	20	**–**	(354,540)
Payment for acquisition of financial assets at fair value through profit or loss		**(10,000)**	–
Payment for acquisition of associates		**(857)**	(150,106)
Net cash flows used in investing activities		**(483,220)**	(543,307)
Cash flows from financing activities			
Proceeds from issue of new shares		**–**	197,218
Proceeds of borrowings from an associate	41(b)	**745,000**	525,000
Proceeds of advances from related parties	41(b)	**–**	9,082
Repayment of borrowings to an associate	41(b)	**(817,000)**	(255,000)
Repayment of advances from related parties	41(b)	**(2,938)**	(6,091)
Proceeds of borrowings from banks		**1,842,160**	1,002,689
Repayments of borrowings to banks		**(1,433,868)**	(712,026)
Interest paid		**(71,262)**	(29,095)
Cash injection from non-controlling interest of a subsidiary	21(a)	**9,000**	–
Decrease/(increase) in pledged bank deposits		**59,474**	(2,704)
Principal elements of lease payments		**(15,321)**	(534)
Net cash flows generated from financing activities		**315,245**	728,539
Net increase in cash and cash equivalents		**186,926**	222,229
Cash and cash equivalents at beginning of the year		**557,469**	326,053
Exchange gains on cash and cash equivalents		**23,991**	9,187
Cash and cash equivalents at end of the year	27	**768,386**	557,469

The notes on pages 64 to 219 form 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 KY1-1111, 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 facilities which comprises mainly passenger boarding bridges and ground support equipment such as airport apron buses, aircraft catering vehicles and other specialised 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 and mobile fire stations and rescue stations.

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 on 25 March 2020.

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

(a) Reverse acquisition in respect of Pteris Acquisition in 2018

On 23 April 2018, the Company completed the acquisition of 99.41% equity interests of Pteris Global Limited ("**Pteris**") (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.

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:

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

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

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

2.1 Basis of preparation *(cont'd)*

(a) Reverse acquisition in respect of Pteris Acquisition in 2018 (cont'd)

(iii) 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 recognised as goodwill in the consolidated statement of financial position;

(iv) 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;

(v) 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;

(vi) 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; and

(vii) The consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2018 (before being restated) 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.

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

2.1 Basis of preparation *(cont'd)*

(b) Application of business combination under common control in 2019

On 23 December 2019, China Fire Safety Enterprise Group Limited ("**China Fire Safety**"), an indirect wholly-owned subsidiary of the Company completed the acquisition of 60% equity interest in Albert Ziegler GmbH ("**Ziegler**") (the "**Ziegler Acquisition**") from its original shareholder, CIMC Top Gear B.V., an indirect wholly-owned subsidiary of CIMC. Before the Ziegler Acquisition, China Fire Safety owned 40% equity interest in Ziegler. Upon the completion of Ziegler Acquisition, Ziegler has become a wholly-owned subsidiary of the Company. The consideration of the acquisition was EUR31,470,000 (equivalent to approximately RMB245,346,000) and is to be payable by way of cash (or other kind of consideration as may be agreed by China Fire Safety and CIMC Top Gear B.V.) within one year from the date of completing the Ziegler Acquisition. The cash consideration as a deemed distribution to previous shareholder of Ziegler and charged to other reserves.

Since the Company and Ziegler are ultimately controlled by CIMC both before and after the Ziegler Acquisition, the Ziegler Acquisition is regarded as "common control combination". Accordingly, the Group has applied merger accounting to account for the acquisition of Ziegler in accordance with Accounting Guidelines 5 "Merger Accounting for Common Control Combination" issued by HKICPA.

In applying merger accounting, the consolidated financial statements incorporate the financial statement items of the combining entities in which the common control combination occurs as if they had been combined from the date when the combining entities first came under the control of the controlling party.

The net assets of the combining entities are consolidated using the existing book value from the controlling parties' perspective. No amount is recognised in respect of goodwill or excess of acquirers' interest in the net fair value of acquirees' identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuant of the controlling party's interest.

The consolidated statement of profit or loss includes the results of each of the combining entities from the earliest date presented or since the date when the combining entities first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

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

2.1 Basis of preparation *(cont'd)*

(b) Application of business combination under common control in 2019 (cont'd)

The comparative amounts in the consolidated financial statements are presented as if the entities had been combined at the previous balance sheet date unless they first came under common control at a later date.

A uniform set of accounting policies is adopted by those entities. All intra-group transactions, balances and unrealised gains on transactions between combining entities are eliminated on consolidation.

Transaction costs, including professional fees, registration fees, costs of furnishing information to shareholders, cost or losses incurred in combining operations of the previously separate businesses, incurred in relation to the common control combination that is to be accounted for by using merger accounting are recognised as expense in the year in which they are incurred.

Reconciliation of the results of operations for the year ended 31 December 2018 and financial positions as at 31 December 2018 previously reported by the Group and the restated amounts presented in the consolidated financial statements are set out below:

	For the year ended 31 December 2018			
	The Group RMB'000 (as previously reported)	Ziegler RMB'000	Adjustment and elimination RMB'000	The Group RMB'000 (restated)
Revenue	2,786,421	1,581,210	–	4,367,631
Profit for the year	172,618	17,823	4,703	195,144
Profit for the year attributable to owners of the Company	165,403	17,433	(5,123)	177,713

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

2.1 Basis of preparation *(cont'd)*

(b) Application of business combination under common control in 2019 (cont'd)

	As at 31 December 2018			
	The Group RMB'000 (as previously reported)	Ziegler RMB'000	Adjustment and elimination RMB'000	The Group RMB'000 (restated)
Current assets	3,345,111	1,323,918	–	4,669,029
Total assets	5,901,010	1,656,720	(573,487)	6,984,243
Current liabilities	2,695,032	911,713	–	3,606,745
Total liabilities	2,878,681	1,098,855	–	3,977,536
Equity attributable to owners of the Company	2,977,379	555,369	(573,487)	2,959,261

(c) Compliance with HKFRS and HKCO

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRS**") and requirements 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/liabilities at fair value through profit or loss ("**FVPL**"), financial assets at fair value through other comprehensive income ("**FVOCI**"), the defined benefit pension obligations 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. These 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 below.

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

2.1 Basis of preparation *(cont'd)*

(d) 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 2019:

- HKFRS 16 – Leases
- Amendments to HKFRS 9 – Prepayment Features with Negative Compensation
- Amendments to HKAS 28 – Long-term Investments in Associates and Joint Ventures
- Annual Improvements to HKFRS Standards 2015 – 2017 Cycle
- Amendments to HKAS 19 – Plan Amendment, Curtailment or Settlement
- Interpretation 23 – Uncertainty over Income Tax Treatments

The Group has adopted HKFRS 16 from its mandatory adoption date of 1 January 2019. The Group has applied the simplified transition approach and has not restated comparative amounts for the 2018 reporting period. This is disclosed in Note 2.2. The other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

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

2.1 Basis of preparation *(cont'd)*

(e) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for the year ended 31 December 2019 and have not been early adopted by the Group as below:

		Effective for the financial year beginning on or after
Amendments to HKFRS 3	Definition of a Business	1 January 2020
Amendments to HKAS 1 and HKAS 8	Definition of Material	1 January 2020
HKFRS 17	Insurance Contracts	1 January 2021
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets Between an Investor and its Associate or Joint venture	To be determined

The above new standards and amendments to standards and interpretations are effective for the financial year beginning on or after 1 January 2020 and have not been applied in preparing these consolidated financial statements. The Group is in the process of assessing the impact of the above new standards and amendments to existing standards on the Group's consolidated financial statements.

2.2 Changes in accounting policies

This note explains the impact of the adoption of HKFRS 16 Leases on the Group's consolidated financial statements.

As indicated in Note 2.1 above, the Group has adopted HKFRS 16 Leases retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019. The new accounting policies are disclosed in Note 2.31.

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

2.2 Changes in accounting policies *(cont'd)*

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as at 1 January 2019. The weighted average lessee's incremental borrowing rates applied to the lease liabilities on 1 January 2019 were ranging from 4% to 4.99%.

(a) Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- relying on previous assessments on whether leases are onerous;
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HKFRIC 4 determining whether an arrangement contains a Lease.

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

2.2 Changes in accounting policies *(cont'd)*

(b) Measurement of lease liabilities

	RMB'000
Operating lease commitments as at 31 December 2018 (restated)	163,701
Discounted using the lessee's incremental borrowing rates at the date of initial application	131,698
Add: finance lease liabilities recognised as at 31 December 2018	338
(Less): low-value and short-term leases not recognised as a liability	(10,392)
(Less): commitments relating to a lease with no defined lease terms	(13,436)
Lease liability recognised as at 1 January 2019	108,208
Of which:	
Current lease liabilities	13,407
Non-current lease liabilities	94,801
	108,208

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

2.2 Changes in accounting policies *(cont'd)*

(c) Measurement of right-of-use assets

Under the simplified transition approach, the associated right-of-use assets were measured at the amount equal to the lease liabilities on adoption, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets relate to the following types of assets:

	As at 1 January 2019 RMB'000
Prepaid land lease payments	113,274
Land and properties	102,328
Technical plant and equipment	6,205
Total right-of-use assets	221,807

(d) Adjustments recognised in the balance sheet on 1 January 2019

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

- prepaid land lease payments – decrease by RMB113,274,000
- right-of-use assets – increase by RMB221,807,000
- lease liabilities – increase by RMB108,208,000
- other non-current assets – decrease by RMB325,000

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

2.3 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.

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

Except for the acquisition under common control as described in Note 2.1 (b), 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.

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

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

(a) Subsidiaries (cont'd)

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

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.

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.

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

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

(a) Subsidiaries (cont'd)

(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.

(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.

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

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

(d) Equity method (cont'd)

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 2.9.

2.4 Property, plant and equipment

(a) Measurement

(i) Land and buildings

Freehold land is not depreciated and is initially recognised at cost less accumulated impairment losses. 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.

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

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

(a) Measurement (cont'd)

(iv) Components of costs

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

(b) Depreciation

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

	Useful lives
Land and buildings – Singapore	30 years
Buildings – China	20 years
Buildings – Germany	20-33 years
Motor vehicles	4 -10 years
Machinery and equipment	3 -15 years
Office and other equipment	3 -15 years
Leasehold improvements	Over the shorter of the term of the lease or 5 years

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

(c) Subsequent expenditure

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

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

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

(d) Disposal

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

2.5 Intangible assets

(a) Measurement

(i) Goodwill on acquisitions

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

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

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

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

(ii) Research and development costs

Research and development costs that are directly attributable to the design and testing of identifiable and unique optical 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.

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

2.5 Intangible assets *(cont'd)*

(a) Measurement (cont'd)

(ii) Research and development costs *(cont'd)*

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.

Capitalised development costs are recognised 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 capitalised 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.

(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.

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

2.5 Intangible assets *(cont'd)*

(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	3-10 years
Operating rights of automated parking system	13-18 years
Patents	8-10 years
Customer relationship	1-3 years
Backlog	1 year and 6 years
Brands, technology	6 years
Internally generated intangible assets	3-8 years

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

2.6 Borrowing costs

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

The actual borrowing costs incurred during the period up to the issuance of the temporary occupation permit less any investment income on temporary investment of these borrowings, are capitalised in the cost of the 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.7 Investment properties

Investment properties, including land use rights that have already been leased out, buildings that are held for the purpose of leasing and buildings that are being constructed or developed for future use for leasing, are measured initially at cost. Subsequent expenditures incurred in relation to an investment properties are included in the cost of the investment properties when it is probable that the associated economic benefits will flow to the 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.

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

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

2.9 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.

(b) Intangible assets, property, plant and equipment and 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.

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

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

(b) Intangible assets, property, plant and equipment and interests in subsidiaries (cont'd)

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

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

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

2.10 Financial assets

(a) Classification

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

(i) those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss), 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 other comprehensive income (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 (FVOCI).

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

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

2.10 Financial assets *(cont'd)*

(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, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

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

Debt instruments

Subsequent measurement of debt instruments depends on the 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 (losses)/gains -net" together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

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

2.10 Financial assets *(cont'd)*

(c) Measurement (cont'd)

Debt instruments *(cont'd)*

- 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 (losses)/gains – net". 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 (losses)/gains – net" 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 (losses)/gains – net in the period in which it arises.

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 fair value through profit or loss are recognised in "other (losses)/gains – net" 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.

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

2.10 Financial assets *(cont'd)*

(d) 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(b) for further details.

2.11 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.

2.12 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.

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

2.14 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.

2.15 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.

2.16 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.

2.17 Trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection of trade receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. Otherwise, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Details about the Group's impairment policies and the calculation of the loss allowance are provided in Note 2.10 and Note 3.2(b).

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

2.18 Prepaid land lease payments

Prepaid land lease payments are initially measured at cost. Following initial recognition, they are measured at cost less accumulated amortisation and any accumulated impairment losses. Prepaid land lease payments are amortised on a straight line basis over the lease terms of agreement. Prepaid land lease payments have been reclassified to right-of-use assets upon the adoption of HKFRS 16 from January 1, 2019.

2.19 Income taxes

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

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

A deferred income tax liability is recognised on temporary differences arising on 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)*

2.19 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.

2.20 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.

2.21 Employee compensation

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

(a) Pension obligations

A defined contribution plan is a pension plan under which fixed contributions are paid to a separate company. There is no legal or actual obligation to pay additional contributions if the Group does not hold adequate assets to settle the pension entitlements of all employees arising from the current and previous financial years. A defined benefit plan is a plan that is not a defined contribution plan.

Typically, defined benefit plans stipulate an amount of pension benefits that the employees will receive upon retirement and that generally depends on one or more factors such as age, the length of time served at the Group and salary.

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

2.21 Employee compensation *(cont'd)*

(a) Pension obligations (cont'd)

The liability for defined benefit plans that is recognised in the statement of financial position corresponds to the present value of the defined benefit obligation on the reporting date. The defined benefit obligation is calculated on an annual basis by an independent actuarial expert using the projected unit credit method. The present value of the defined benefit obligation is calculated by discounting the expected future cash outflows using the interest rate of corporate bonds with the highest credit rating. The corporate bonds are denominated in the currency of the payout amounts and features a term corresponding to the pension obligations.

The current service cost of the defined benefit plan that is recognised in the statement of comprehensive income concerns the increase in the defined benefit obligation resulting from the employee services in the current year.

Past service cost is recognised immediately in profit or loss.

The net interest is calculated by applying a discount rate to the net amount of the defined benefit obligation. This expense is included in the personnel expenses in the statement of comprehensive income.

Actuarial gains and losses, which are based on experience adjustments and amendments to actuarial assumptions, are recognised in equity in the other comprehensive income in the period in which they are incurred.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised in the personnel expenses when the liability is incurred. When an employee has rendered service to an entity during a period, the entity has to recognise the contribution payable to a defined contribution plan in exchange for that service as a liability after deducting of amounts already paid. The amounts may have to be discounted. Defined contribution obligations exist essentially in conjunction with the statutory pension schemes in the countries in which the Group operates.

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

2.21 Employee compensation *(cont'd)*

(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.

(d) Jubilee benefits for employees

If employees are granted jubilee benefits for long service, a provision is created in the amount of the estimated liability based on the employee's length of service. The present value of the jubilee payments is calculated by discounting the future estimated cash outflows at the average interest rate of bonds during the previous seven years in the currency in which the benefits are paid and the terms of which correspond to those of the related jubilee payments.

(e) Employee holiday entitlements

Entitlements of employees to annual leave are recognised when the actual obligation is incurred. The estimated liability for annual leave in due consideration of the services performed by the employees is deferred until the reporting date.

Holiday entitlements of employees relating to illness and maternity leave are not recognised until the time the leave is taken.

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

2.21 Employee compensation *(cont'd)*

(f) Employee entitlements arising from flexible working hours

Entitlements of employees arising from flexible working hours are recognised when the actual obligation is incurred.

2.22 Foreign currency translation

(a) 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.

(b) Transactions and balances

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

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

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

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

2.22 Foreign currency translation *(cont'd)*

(c) 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)*

2.22 Foreign currency translation *(cont'd)*

(d) 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.

2.23 Segment reporting

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

2.24 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand 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)*

2.25 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 recognised 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.

2.26 Share capital

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

2.27 Dividends to 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)*

2.28 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.

2.29 Revenue recognition

The Group recognises revenue when the specific criteria have been met for each of the activities, as described below.

(a) Sales of goods

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

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

2.29 Revenue recognition *(cont'd)*

(a) Sales of goods (cont'd)

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 2.20.

*(b) 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.

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

2.29 Revenue recognition *(cont'd)*

*(c) Materials handling systems ("**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.

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 materials handling systems are recognised at a point in time, as it do not meet the criteria for recognising 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.

(d) 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.

(e) 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.

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

2.29 Revenue recognition *(cont'd)*

(f) Accounting for costs to obtain a contract

Sales commission fee is the costs relate directly to the contract that should be capitalised 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" directly.

(g) 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.

(h) 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;

- 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.

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

2.30 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.

2.31 Leases

As explained in Note 2.2 above, the Group has changed its accounting policy for leases where the Group is the lessee. The new policy is described below and the impact of the change in Note 2.2.

Until 31 December 2018, leases of property, plant and equipment where the Group, as lessee, had substantially all the risks and rewards of ownership were classified as finance leases. Finance leases were capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, were included in other short-term and long-term payables. Each lease payment was allocated between the liability and finance cost. The finance cost was charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases was depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership were not transferred to the Group as lessee were classified as operating leases (Note 10). Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

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

2.31 Leases *(cont'd)*

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable,

- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date,

- amounts expected to be payable by the Group under residual value guarantees,

- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and

- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

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

2.31 Leases *(cont'd)*

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received,

- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Company, which does not have recent third party financing, and

- makes adjustments specific to the lease, e.g. term, country, currency and security.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,

- any lease payments made at or before the commencement date less any lease incentives received,

- any initial direct costs, and

- restoration costs.

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

2.31 Leases *(cont'd)*

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the Group revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the Group.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

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 minimise 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 2019 and 2018 are as follows:

	2019 **RMB'000**	2018 RMB'000 (restated)
Assets		
United States dollars ("**USD**")	**233,110**	182,566
Euro ("**EUR**")	**101,916**	116,721
Singapore dollars ("**SGD**")	**13,783**	21,850
Hong Kong dollar ("**HKD**")	**62,427**	65,766
Total	**411,236**	386,903
Liabilities		
USD	**(35,908)**	(31,314)
EUR	**(40,422)**	(99,323)
SGD	**–**	(1,253)
HKD	**(1,959)**	(1,044)
Total	**(78,289)**	(132,934)

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 and HKD 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	
	2019	2018
	RMB'000	RMB'000
– if RMB strengthens against foreign currencies		
USD	**(9,860)**	(5,621)
EUR	**(3,075)**	(870)
SGD	**(689)**	(1,030)
HKD	**(3,023)**	(3,236)

	Increase/(decrease) in profit before tax for the year	
	2019	2018
	RMB'000	RMB'000
– if RMB weakens against foreign currencies		
USD	**9,860**	5,621
EUR	**3,075**	870
SGD	**689**	1,030
HKD	**3,023**	3,236

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 and fixed rates which expose the Group to cash flow and fair value interest rate risk respectively. The Group has not entered into any interest rate swaps to hedge its exposure to interest rate risk.

As at 31 December 2019 and 2018, if the interest rates had increased/decreased by 1% with all other variables including tax rate being held constant, the profit before tax for the year would have been decreased/increased by RMB13,609,000 and RMB8,096,000, 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, contract assets and amount due from related parties.

(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 2019 and 31 December 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.

3 FINANCIAL RISK MANAGEMENT *(cont'd)*

3.2 Credit risk *(cont'd)*

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

Impairment of trade receivables and contract assets *(cont'd)*

The loss allowance as at 31 December 2019 and 31 December 2018 was determined as follows for trade receivables and 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
31 December 2019						
Expected loss rate	0.16%	2.88%	10.30%	49.23%	75.18%	
Gross carrying amount (RMB'000)						
– Trade receivables	1,471,525	820,319	121,140	41,335	67,497	2,521,816
– Contract assets	381,303	278,448	13,502	–	1,374	674,627
Loss allowance (RMB'000)						
– Trade receivables	(3,051)	(31,643)	(13,309)	(20,351)	(50,989)	(119,343)
– Contract assets	–	–	(561)	–	(785)	(1,346)

	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 (restated)						
Expected loss rate	–	1.07%	11.53%	51.82%	67.53%	
Gross carrying amount (RMB'000)						
– Trade receivables	573,925	791,925	153,186	87,551	41,942	1,648,529
– Contract assets	410,204	–	–	–	–	410,204
Loss allowance (RMB'000)						
– Trade receivables	–	(8,504)	(17,669)	(45,369)	(28,322)	(99,864)
– 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 charged against 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)

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 2019 and 2018 reconcile to the opening loss allowances as follows:

	RMB'000
At 1 January 2019	**(3,664)**
Increase in loss allowance recognised in profit or loss during the year	**(500)**
Allowance utilised	**1,394**
Currency translation differences	**20**
At 31 December 2019	**(2,750)**

	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 FINANCIAL RISK MANAGEMENT *(cont'd)*

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.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
At 31 December 2019					
Borrowings (including interest payable upon maturity)	**1,683,828**	**–**	**–**	**342,813**	**2,026,641**
Trade and other payables excluding non-financial liabilities	**1,815,508**	**460**	**1,680**	**–**	**1,817,648**
Convertible bonds (including interest payable)	**1,108**	**1,108**	**3,324**	**1,133,823**	**1,139,363**
Amounts due to related parties	**349,849**	**–**	**–**	**–**	**349,849**
Lease liabilities	**25,868**	**15,969**	**54,340**	**83,304**	**179,481**
Financial liabilities at fair value through profit or loss	**984**	**–**	**–**	**–**	**984**
Total	**3,877,145**	**17,537**	**59,344**	**1,559,940**	**5,513,966**
At 31 December 2018					
Borrowings (including interest payable upon maturity)	1,099,125	157,826	–	–	1,256,951
Trade and other payables excluding non-financial liabilities	1,420,029	3,441	776	2,257	1,426,503
Convertible bonds (including interest payable)	1,450	1,393	4,179	1,427,931	1,434,953
Amounts due to related parties	79,247	–	–	–	79,247
Finance lease liabilities	93	385	–	–	478
Total	2,599,944	163,045	4,955	1,430,188	4,198,132

3 FINANCIAL RISK MANAGEMENT *(cont'd)*

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 reduce debt by proceeds from selling assets of the Group.

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, lease liabilities and convertible bonds net of cash and cash equivalents) by the total owners' equity.

The Group has net debt of RMB1,372,428,000 as at 31 December 2019 (2018: RMB771,367,000).

The Group's debt-to-equity ratio is 39.01% at 31 December 2019 (2018: 25.65%).

3.5 Fair value estimation

(a) Financial instruments carried at fair value

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.

3 FINANCIAL RISK MANAGEMENT *(cont'd)*

3.5 Fair value estimation *(cont'd)*

(a) Financial instruments carried at fair value *(cont'd)*

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 2019 and 2018.

	Level 1 RMB'000	**Level 2 RMB'000**	**Level 3 RMB'000**	**Total RMB'000**
At 31 December 2019				
Assets/(liabilities)				
Financial assets at FVOCI	**–**	**–**	**16,829**	**16,829**
Financial assets at fair value through profit or loss	**–**	**88**	**–**	**88**
Financial liabilities at fair value through profit or loss	**–**	**(984)**	**–**	**(984)**

	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

There were no transfers between levels 1 and 2 or levels 2 and 3 during the years ended 31 December of 2019 and 2018.

The significant unobservable inputs used to determine the fair value of financial assets at FVOCI are discount rates, ranged from 3.8%-4.5% as at 31 December 2019 (2018: 4.0%-4.6%). The fair value changes of level 3 instruments for the year ended 31 December 2019 is insignificant.

3 FINANCIAL RISK MANAGEMENT *(cont'd)*

3.5 Fair value estimation *(cont'd)*

(a) Financial instruments carried at fair value *(cont'd)*

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.

(b) Investment properties carried at fair value

(i) Fair value hierarchy – Recurring fair value measurements

	Fair value measurements using		
Description	**Quoted prices in active markets for identical assets (Level 1) RMB'000**	**Significant other observable inputs (Level 2) RMB'000**	**Significant unobservable inputs (Level 3) RMB'000**
Balance on 31 December 2019			
– Office building – Singapore	**–**	**–**	**186,010**
– Land use rights and factory building – China	**–**	**–**	**70,825**
Balance on 31 December 2018			
– Office building – Singapore	–	–	180,896
– Land use rights and factory building – China	–	–	70,173

3 FINANCIAL RISK MANAGEMENT *(cont'd)*

3.5 Fair value estimation *(cont'd)*

(b) Investment properties carried at fair value *(cont'd)*

(ii) 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 the rental growth rate and the discount rate.

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

There were no transfers into or out of the fair value hierarchy levels during the years ended 31 December 2019 and 2018.

(iii) 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

3 FINANCIAL RISK MANAGEMENT *(cont'd)*

3.5 Fair value estimation *(cont'd)*

(b) Investment properties carried at fair value *(cont'd)*

(iv) 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 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.

(c) The details of defined benefit plans carried at fair value and the estimates are set out in Note 31(d).

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.

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

(a) Impairment of goodwill

Goodwill is tested for impairment annually in accordance with the accounting policy stated in Note 2.9.

The recoverable amounts of CGUs have been determined based on value-in-use calculations. These calculations require the use of estimates. The details of the calculation and estimates used and the sensitivity analysis of the estimates are set out in Note 18(a).

(b) Revenue recognition for the materials handling systems 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.

(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.

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

(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 3.5.

(f) Estimation of defined benefit plans

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Any changes in these assumptions will impact the carrying amount of pension obligations. Details of key assumptions and impact of possible changes in key assumptions are disclosed in Note 31(d).

5 REVENUE AND SEGMENT INFORMATION

The Group has three 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:

– Airport facilities and automated parking systems: the manufacture and sales of passenger boarding bridges, airport support equipment and automated vehicle parking systems;

– Materials handling systems (logistics): the provision of engineering and computer software solutions for airport logistics, e-commerce, express delivery and warehousing; and

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

– Firefighting and rescue: the production and sale of fire engines, fire prevention and fighting equipment and mobile fire stations and rescue stations.

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

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

Information about operating segment profit or loss:

For the year ended 31 December 2019

	Airport facilities and automated parking systems RMB'000	Materials handling systems (logistics) RMB'000	Firefighting and rescue RMB'000	Total RMB'000
Timing of revenue recognition				
– At a point in time	1,327,188	277,603	3,455,141	5,059,932
– Over time	246,232	651,497	–	897,729
Revenue from external customers	1,573,420	929,100	3,455,141	5,957,661
Reportable segment profit before income tax	183,103	17,928	173,402	374,433
Unallocated corporate expenses				(74,138)
Share of net profit of associates				15,106
Profit before income tax				315,401
Income tax expense				(71,339)
Profit for the year				244,062
Other information				
Depreciation of property, plant and equipment and right-of-use assets	37,082	13,453	61,573	112,108
Amortisation of intangible assets	10,309	1,110	62,161	73,580

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 2018 (restated)

	Airport facilities and automated parking systems RMB'000	Materials handling systems (logistics) RMB'000	Firefighting and rescue RMB'000	Total RMB'000
Timing of revenue recognition				
– At a point in time	1,241,229	280,355	2,121,322	3,642,906
– Over time	116,081	600,787	7,857	724,725
Revenue from external customers	1,357,310	881,142	2,129,179	4,367,631
Reportable segment profit before income tax	173,042	19,364	48,152	240,558
Unallocated corporate expenses				(15,744)
Share of net profit of associates				3,447
Profit before income tax				228,261
Income tax expense				(33,117)
Profit for the year				195,144
Other information				
Depreciation of property, plant and equipment	26,862	9,644	30,083	66,589
Amortisation of intangible assets and prepaid land lease payments	10,973	1,540	19,452	31,965

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 2019				
	Airport facilities and automated parking systems RMB'000	Materials handling systems (logistics) RMB'000	Firefighting and rescue RMB'000	Unallocated RMB'000	Total RMB'000
Assets					
Reportable segment assets					
Trade receivables	892,455	244,629	1,265,389	–	2,402,473
Inventories	674,291	182,121	1,396,038	–	2,252,450
Property, plant and equipment	406,569	158,490	638,268	–	1,203,327
Contract assets	206,639	291,451	175,191	–	673,281
Intangible assets	83,743	127,037	565,224	–	776,004
Investment properties	70,825	186,010	–	–	256,835
Right-of-use assets	87,487	62,375	231,188	1,920	382,970
Financial assets at fair value through profit or loss	88	–	–	–	88
Financial assets at fair value through other comprehensive income	11,935	395	4,499	–	16,829
Investments in associates	–	–	–	204,504	204,504
Pledged bank deposits	–	–	–	34,342	34,342
Cash and cash equivalents	–	–	–	768,386	768,386
Prepayment and other receivables	–	–	–	615,621	615,621
Other non-current assets	–	–	–	3,716	3,716
Deferred income tax assets	–	–	–	74,336	74,336
Amounts due from related parties	–	–	–	27,165	27,165
	2,434,032	1,252,508	4,275,797	1,729,990	9,692,327

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 2019				
	Airport facilities and automated parking systems RMB'000	Materials handling systems (logistics) RMB'000	Firefighting and rescue RMB'000	Unallocated RMB'000	Total RMB'000
Liabilities					
Reportable segment liabilities					
Trade payables	365,157	219,261	449,868	–	1,034,286
Contract liabilities	871,091	191,407	276,314	–	1,338,812
Provisions	77,378	30,341	33,327	–	141,046
Borrowings	–	–	–	1,927,728	1,927,728
Other payables	–	–	–	967,063	967,063
Amounts due to related parties	–	–	–	349,849	349,849
Convertible bonds	–	–	–	73,322	73,322
Current income tax liabilities	–	–	–	46,598	46,598
Deferred income tax liabilities	–	–	–	70,886	70,886
Deferred income	–	–	–	83,550	83,550
Lease liabilities	41,141	42,498	54,061	2,064	139,764
Financial liabilities at fair value through profit or loss	984	–	–	–	984
	1,355,751	483,507	813,570	3,521,060	6,173,888

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 (restated)				
	Airport facilities and automated parking systems RMB'000	Materials handling systems (logistics) RMB'000	Firefighting and rescue RMB'000	Unallocated RMB'000	Total RMB'000
Assets					
Reportable segment assets					
Trade receivables	683,050	221,159	644,456	–	1,548,665
Inventories	489,972	45,324	1,022,859	–	1,558,155
Property, plant and equipment	387,627	178,991	378,787	–	945,405
Contract assets	131,740	239,734	38,730	–	410,204
Intangible assets	99,323	128,490	175,141	–	402,954
Investment properties	70,173	180,896	–	–	251,069
Prepaid land lease payments	47,941	21,149	44,184	–	113,274
Financial assets at FVOCI	22,065	–	–	–	22,065
Investments in associates	–	–	–	182,598	182,598
Pledged bank deposits	–	–	–	17,057	17,057
Cash and cash equivalents	–	–	–	557,469	557,469
Prepayment and other receivables	–	–	–	526,038	526,038
Other non-current assets	–	–	–	358,316	358,316
Deferred income tax assets	–	–	–	61,598	61,598
Amounts due from related parties	–	–	–	29,376	29,376
	1,931,891	1,015,743	2,304,157	1,732,452	6,984,243

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 (restated)				
	Airport facilities and automated parking systems RMB'000	Materials handling systems (logistics) RMB'000	Firefighting and rescue RMB'000	Unallocated RMB'000	Total RMB'000
Liabilities					
Reportable segment liabilities					
Trade payables	311,536	182,089	426,781	–	920,406
Contract liabilities	424,430	59,357	260,301	–	744,088
Provisions	54,589	20,874	36,983	–	112,446
Borrowings	–	–	–	1,244,171	1,244,171
Other payables	–	–	–	645,003	645,003
Finance lease liabilities	–	–	338	–	338
Amounts due to related parties	–	–	–	79,247	79,247
Convertible bonds	–	–	–	84,327	84,327
Current income tax liabilities	–	–	–	53,951	53,951
Deferred income tax liabilities	–	–	–	26,940	26,940
Deferred income	–	–	–	66,619	66,619
	790,555	262,320	724,403	2,200,258	3,977,536

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.

	2019	2018
	RMB'000	RMB'000
		(restated)
Revenue		
PRC	**3,596,273**	2,050,410
North America	**213,970**	286,674
Europe	**1,466,631**	1,527,090
Asia (excluding PRC)	**325,743**	260,518
Middle East	**142,052**	124,950
Africa	**179,674**	76,896
South America	**32,333**	36,631
Oceania	**985**	4,462
	5,957,661	4,367,631

	2019	2018
	RMB'000	RMB'000
		(restated)
Non-current assets (excluding deferred tax assets and goodwill)		
PRC	**1,760,249**	1,487,885
Germany	**383,337**	307,573
Singapore	**252,821**	272,089
France	**1,495**	1,481
United States of America	**38,983**	1,263
Others	**721**	8,011
	2,437,606	2,078,302

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

(c) Revenue from major customers

For the years ended 31 December 2019 and 2018, no customers individually contributed over 10% of the Group's total revenue.

6 OTHER INCOME

	2019	2018
	RMB'000	RMB'000
		(restated)
Rental income	**41,213**	43,453
Government grants	**39,549**	33,283
Sale of scrap materials	**6,508**	4,570
Compensation and indemnities	**2,987**	11,397
Interest income	**3,270**	2,314
Dividend income	**–**	31
Revenue from canteens	**671**	640
Others	**2,801**	6,692
	96,999	102,380

7 OTHER (LOSSES)/GAINS – NET

	2019	2018
	RMB'000	RMB'000
		(restated)
Reversal of penalties	**–**	21,101
Net (losses)/gains on disposal of property, plant and equipment	**(257)**	123
Losses on fair value of other financial instruments	**(896)**	–
Losses on disposal of other financial assets	**(6,639)**	(1,540)
Gains on fair value of investment properties	**652**	601
Losses on impairment of financial assets FVPL	**(4,829)**	–
Loss on goodwill impairment	**(5,288)**	–
Loss on disposal of an associate	**(295)**	–
Net foreign exchange (losses)/gains	**(8,804)**	16,844
Others	**4,371**	5,616
	(21,985)	42,745

8 FINANCE COSTS

	2019 RMB'000	2018 RMB'000 (restated)
Interest expenses on loan from related parties	**12,916**	9,711
Interest expenses on bank borrowings	**50,656**	17,940
Interest expenses on convertible bonds (Note 32)	**8,898**	5,982
Interest expenses on leases	**4,781**	–
Others	**1,491**	1,444
	78,742	35,077

9 INCOME TAX EXPENSE

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

	2019 RMB'000	2018 RMB'000 (restated)
Current income tax		
– Current tax on profits for the year	**82,530**	38,289
– Over provision in prior years	**(1,064)**	(184)
Deferred income tax (Note 28)	**(10,127)**	(4,988)
Income tax expense	**71,339**	33,117

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 of 25% (2018: 25%) during the respective periods is as follows:

	2019	2018
	RMB'000	RMB'000
		(restated)
Profit before income tax	**315,401**	228,261
Tax calculated at tax rate of 25% (2018: 25%)	**78,850**	57,065
Tax effect of:		
Expenses not deductible for tax purpose	**24,518**	5,023
Income not subject to income tax and tax incentive	**(3,732)**	(5,330)
Utilization of previously unrecognised tax losses	**(5,247)**	(893)
Income subject to equity transactions	**16,380**	–
(Over)/under provision in prior years	**(1,064)**	958
Effect of different tax rates of subsidiaries	**(54,849)**	(26,806)
Deferred tax benefits not recognised (h)	**3,071**	4,192
Tax effects of unused tax loss not recognised	**9,549**	367
Others	**3,863**	(1,459)
Income tax expense	**71,339**	33,117

9 INCOME TAX EXPENSE *(cont'd)*

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%.

Certain subsidiaries of the Group in the PRC are qualified for new/high-technology enterprises status and enjoyed preferential corporate income tax rate of 15% for the years ended 31 December 2019 and 2018.

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

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

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

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

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

(g) The applicable corporate tax rate for Germany is 28.78%.

(h) At the reporting date, deferred tax assets have not been recognised in respect of certain unutilised tax losses because it was considered not probable that future taxable profit would be available against which the Group could utilise the benefits.

The Group has accumulated unrecognised tax losses and capital allowances of approximately RMB256,999,000 and RMB362,199,000 as at 31 December 2019 and 2018 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.

There are no tax credit relating to components of other comprehensive income this year.

10 EXPENSES BY NATURE

	2019 RMB'000	2018 RMB'000 (restated)
Cost of inventories	**3,376,250**	2,531,544
Employee benefit expenses (Note 11)	**1,038,902**	842,861
Subcontracting expenses	**412,824**	375,906
Shipping fees	**63,536**	64,593
Travelling expense	**84,078**	52,189
Depreciation of property, plant and equipment (Note 15)	**87,627**	66,589
Warranty	**56,535**	24,224
Tax fee	**26,336**	20,528
Amortisation of intangible assets (Note 18)	**73,580**	29,593
Rental expense	**14,814**	17,033
Bank settlement charges	**8,551**	11,657
Sales commission	**36,728**	16,358
Entertainment expense	**36,413**	8,618
Auditor's remuneration	**9,590**	6,164
Depreciation of right-of-use assets	**24,481**	–
Amortisation of prepaid land lease payments	**–**	2,372
Exhibition costs	**11,291**	8,655
Telephone and communication fee	**9,294**	10,761
Provision for impairment of inventories	**7,920**	3,480
Research and development	**38,757**	31,024
Consulting fees	**24,014**	22,431
Others	**187,439**	85,112
Total cost of sales and service, selling and distribution expenses and general and administrative expenses	**5,628,960**	4,231,692

11 EMPLOYEE BENEFIT EXPENSES

	2019 RMB'000	2018 RMB'000 (restated)
Salaries, wages and welfare	**855,094**	681,670
Pension, housing fund, medical insurance and other social insurances (a)	**151,254**	133,154
Staff welfare and other benefits	**32,554**	28,037
	1,038,902	842,861

(a) The Group has participated in:

(i) Certain defined contribution retirement plans organised by the local governments in the PRC for its employees in the PRC. The Group is 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;

(ii) A pension scheme under the rules and regulations of the Mandatory Provident Fund Scheme ("**MPF Scheme**") for its employees in Hong Kong. The contributions to the MPF Scheme are at the minimum statutory contribution requirement of 5% of each employee's relevant monthly income;

(iii) Certain post-employment benefit plans in Singapore, under which the Group pays fixed contributions to separate entities such as the Central Provident Fund on a mandatory, contractual or voluntary basis; and

(iv) Certain employee retirement benefits plans in Germany and Indonesia, the details of which have been set out in Note 31(d).

11 EMPLOYEE BENEFIT EXPENSES *(cont'd)*

(b) Five highest paid individuals

The five highest paid individuals in the Group during the year included one (2018: one) director, whose emoluments are included in Note 43 to the consolidated financial statements. The emoluments of the remaining four (2018: four) individuals are set out below:

	2019	2018
	RMB'000	RMB'000
Salaries and other benefits	**5,954**	4,440
Retirement benefit scheme contributions	**274**	166
Total	**6,228**	4,606

The emoluments fell within the following bands:

	Number of individuals	
	2019	2018
Nil to RMB1,000,000	**–**	–
RMB1,000,001 to RMB1,500,000	**3**	4
RMB1,500,001 to RMB2,000,000	**–**	–
RMB2,000,001 to RMB2,500,000	**1**	–
Total	**4**	4

For the years ended 31 December 2019 and 2018, 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.

12 DIVIDENDS

The Board recommended the payment of final dividends of HK0.42 cent per fully paid share of HKD0.01 each in the capital of the Company (2018: Nil). The aggregate amount of the proposed final dividends is expected to be paid out of the share premium account of the Company. The payment of the proposed final dividends is subject to the approval of the Shareholders of the Company at the forthcoming annual general meeting of the Company and in accordance with the Companies Law of the Cayman Islands, Cap 22 (Law 3 of 1961, as consolidated and revised) and the articles of association of the Company.

13 EARNINGS PER SHARE

	2019	2018
	RMB cent	RMB cent
		(restated)
Basic earnings per share	**1.46**	1.49
Diluted earnings per share	**1.18**	1.08

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

	2019	2018
	RMB'000	RMB'000
		(restated)
Earnings		
Profit attributable to owners of the Company for the purpose of calculating basic earnings per share	**215,736**	177,713
Finance costs saving on conversion of convertible bonds outstanding (net of tax)	**7,430**	4,995
Profit attributable to owners of the Company for the purpose of calculating diluted earnings per share	**223,166**	182,708
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**14,799,939**	11,915,738
Effect of dilutive potential ordinary shares arising from convertible bonds outstanding	**4,083,538**	4,953,751
Weighted average number of ordinary shares for the purpose of calculating of diluted earnings per share	**18,883,477**	16,869,489

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 2019 and 2018 were lower than the exercise price of the share options granted.

14 PREPAID LAND LEASE PAYMENTS

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

	RMB'000
Cost	
As at 1 January 2018	78,773
Acquisition of subsidiaries	44,919
As at 31 December 2018	123,692
Accumulated amortisation	
As at 1 January 2018	8,046
Amortisation of prepaid land lease payments	2,372
As at 31 December 2018	10,418
Net book value as at 31 December 2018	113,274
Reclassification due to the adoption of HKFRS 16 (Note 2.2)	(113,274)
Net book value as at 1 January and 31 December 2019	–

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

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

	2018
	RMB'000
Cost of sales	1,407
General and administrative expenses	965
	2,372

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 2018 (restated)	662,797	122,405	5,572	136,858	11,374	939,006
Currency translation differences	2,503	(202)	8	(426)	871	2,754
Additions	23,374	19,541	2,280	12,930	37,088	95,213
Disposals and write-offs	(510)	(1,453)	(576)	(2,780)	(235)	(5,554)
Reclassification	–	9,185	335	(9,391)	(129)	–
Transfer (to)/from intangible assets	(2,559)	3,257	–	(541)	(228)	(71)
Acquired from acquisition	171,560	11,836	2,156	1,337	61	186,950
As at 31 December 2018 (restated)	857,165	164,569	9,775	137,987	48,802	1,218,298
Accumulated depreciation						
As at 1 January 2018 (restated)	106,556	39,870	2,438	61,448	–	210,312
Currency translation differences	242	(266)	(67)	(319)	–	(410)
Depreciation charge	29,691	14,911	1,222	20,765	–	66,589
Disposals and write-offs	–	(505)	(337)	(2,694)	–	(3,536)
Reclassification	–	2,624	30	(2,654)	–	–
Transfer (to)/from intangible assets	(651)	1,350	–	(761)	–	(62)
As at 31 December 2018 (restated)	135,838	57,984	3,286	75,785	–	272,893
Net book value						
As at 31 December 2018 (restated)	721,327	106,585	6,489	62,202	48,802	945,405

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 2019	857,165	164,569	9,775	137,987	48,802	1,218,298
Currency translation differences	620	278	63	270	(71)	1,160
Additions	8,943	22,706	3,106	9,964	20,860	65,579
Disposals and write-offs	–	(5,283)	(367)	(4,080)	–	(9,730)
Transfer to other non-current asset	–	–	–	–	(2,811)	(2,811)
Reclassification	5,356	3,828	–	380	(9,564)	–
Acquired from acquisition (Note 37)	239,455	38,229	3,109	2,182	–	282,975
As at 31 December 2019	1,111,539	224,327	15,686	146,703	57,216	1,555,471
Accumulated depreciation						
As at 1 January 2019	135,838	57,984	3,286	75,785	–	272,893
Currency translation differences	291	255	24	205	–	775
Depreciation charge	39,732	25,175	2,652	20,068	–	87,627
Disposals and write-offs	–	(4,905)	(330)	(3,916)	–	(9,151)
As at 31 December 2019	175,861	78,509	5,632	92,142	–	352,144
Net book value						
As at 31 December 2019	935,678	145,818	10,054	54,561	57,216	1,203,327

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

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

	2019	2018
	RMB'000	RMB'000
		(restated)
Cost of sales	**53,406**	36,245
Selling and distribution expenses	**1,874**	1,585
General and administrative expenses	**32,347**	28,759
	87,627	66,589

Construction in progress as at 31 December 2019 and 2018 mainly comprises capital expenditures incurred for the construction of new dormitories in the PRC.

There were no borrowing cost capitalised.

At 31 December 2019 and 2018, the Group was in the process of applying for the property rights certificates in respect of buildings in PRC with carrying amounts of RMB340,093,000 and RMB170,073,000 respectively.

16 LEASES

(a) Amounts recognised in the consolidated statement of financial position

The consolidated statement of financial position shows the following amounts relating to leases:

	31 December 2019 RMB'000	1 January 2019 RMB'000
Right-of-use assets		
Leasehold land/Land-use rights	**246,718**	113,274
Land and properties	**130,790**	102,328
Technical plant and equipment	**5,462**	6,205
Total	**382,970**	221,807
Lease liabilities		
Current	**17,683**	13,407
Non-current	**122,081**	94,801
Total	**139,764**	108,208

Additions to the right-of-use assets during the year ended 31 December 2019 were RMB185,644,000, of which RMB138,451,000 was acquired from acquisition of subsidiaries (Note 37).

16 **LEASES** *(cont'd)*

(b) Amounts recognised in the consolidated statement of profit or loss

The consolidated statement of profit or loss shows the following amounts relating to leases:

	2019 RMB'000
Depreciation of right-of-use assets	
Prepaid land lease payments	5,007
Land and properties	17,897
Technical plant and equipment	1,577
	24,481
Interest expense (included in finance cost)	4,781
Expense relating to short-term leases (included in cost of sales and administrative expenses)	12,042
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in administrative expenses)	1,044
Expense relating to leases of no defined lease terms (included in cost of sales)	1,728

The total cash outflow for leases in 2019 was RMB20,102,000.

(c) The Group's leasing activities

The Group leases certain land, offices, warehouses, equipment and vehicles. Rental contracts are typically made for fixed periods of 1 year to 18 years.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

17 INVESTMENT PROPERTIES

	2019 RMB'000	2018 RMB'000
At fair value		
At beginning of the year	**251,069**	246,020
Currency translation differences	**5,114**	4,448
Net gains from fair value adjustment (Note 7)	**652**	601
At end of the year	**256,835**	251,069

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

	2019 RMB'000	2018 RMB'000
Rental income	**22,600**	19,273
Direct operating expenses from property that generated rental income	**7,203**	5,179
Fair value gain recognised in other gains	**652**	601

At 31 December 2019 and 2018, 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-year lease from 1 June 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-year from 31 December 2009

17 INVESTMENT PROPERTIES *(cont'd)*

(a) Amounts recognised in the consolidated statement of profit or loss in respect of the investment properties *(cont'd)*

As at 31 December 2019 and 2018, 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 28).

Fair value of the investment properties was determined based on a valuation performed by the management. The revaluation gains for the years ended 31 December 2019 and 2018 of RMB652,000 and RMB601,000, respectively, were included in "other (losses)/gains -net " in the consolidated statement of profit or loss (Note 7). The analysis of investment properties carried at fair value, by valuation method refer to Note 3.5(b).

18 INTANGIBLE ASSETS

	Goodwill RMB'000	Software RMB'000	Operating rights for automated parking system RMB'000	Patents RMB'000	Development costs RMB'000	Trademark RMB'000	Customer relationships RMB'000	Order backlog RMB'000	Total RMB'000
Cost									
As at 1 January 2018 (restated)	121,379	14,463	57,816	133,172	33,993	–	–	843	361,666
Additions	–	14,644	936	–	10,800	–	–	–	26,380
Arising from acquisition	51,265	–	–	–	–	18,793	12,258	7,428	89,744
Disposal	–	(447)	–	(16)	(345)	–	–	–	(808)
Transferred from/(to) property, plant and equipment	–	16,767	–	(3,465)	(12,296)	–	–	–	1,006
Currency translation differences	2,670	(16)	–	464	156	–	–	5	3,279
As at 31 December 2018 (restated)	175,314	45,411	58,752	130,155	32,308	18,793	12,258	8,276	481,267
Accumulated amortisation									
As at 1 January 2018 (restated)	–	9,359	11,021	15,519	11,524	–	–	843	48,266
Amortisation	–	3,451	3,402	9,110	4,592	–	4,086	4,952	29,593
Write back on disposal	–	(447)	–	–	–	–	–	–	(447)
Transferred from property, plant and equipment	–	676	–	31	–	–	–	–	707
Currency translation differences	–	62	(6)	64	69	–	–	5	194
As at 31 December 2018 (restated)	–	13,101	14,417	24,724	16,185	–	4,086	5,800	78,313
Net book value									
As at 31 December 2018 (restated)	175,314	32,310	44,335	105,431	16,123	18,793	8,172	2,476	402,954

18 INTANGIBLE ASSETS *(cont'd)*

	Goodwill	Software	Operating rights for automated parking system	Patents	Development costs	Trademark	Customer relationships	Order backlog	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost									
As at 1 January 2019	175,314	45,411	58,752	130,155	32,308	18,793	12,258	8,276	481,267
Additions	–	3,028	–	5,538	22,823	–	–	–	31,389
Arising from acquisition (Note 37)	219,724	–	–	43,244	–	87,540	38,964	37,632	427,104
Disposals and write-offs	–	–	(9,817)	–	–	–	–	–	(9,817)
Reclassification	–	(55)	–	55	–	–	–	–	–
Currency translation differences	–	(133)	–	(116)	(31)	–	–	(4)	(284)
As at 31 December 2019	395,038	48,251	48,935	178,876	55,100	106,333	51,222	45,904	929,659
Accumulated amortisation									
As at 1 January 2019	–	13,101	14,417	24,724	16,185	–	4,086	5,800	78,313
Amortisation	–	4,699	2,764	17,192	1,952	–	13,285	33,688	73,580
Reclassification	–	(17)	–	17	–	–	–	–	–
Disposal and write-offs	–	(13)	(3,436)	–	–	–	–	–	(3,449)
Currency translation differences	–	26	–	(50)	(48)	–	–	(5)	(77)
Impairment loss	5,288	–	–	–	–	–	–	–	5,288
As at 31 December 2019	5,288	17,796	13,745	41,883	18,089	–	17,371	39,483	153,655
Net book value									
As at 31 December 2019	389,750	30,455	35,190	136,993	37,011	106,333	33,851	6,421	776,004

18 INTANGIBLE ASSETS *(cont'd)*

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

	2019	2018
	RMB'000	RMB'000 (restated)
Cost of sales	**45,198**	15,935
General and administrative expenses	**21,139**	13,558
Selling and distribution costs	**7,243**	100
	73,580	29,593

(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 in 2018.

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

	2019	2018
	RMB'000	RMB'000
Materials Handling Systems of Pteris ("**MHS-PGL**")	**108,540**	108,540
Firefighting and Rescue of CFE ("**F&R-CFE**")	**51,265**	51,265
Materials Handling Systems of Zhengzhou Automation System Co., Ltd. ("**MHS-Jinte**")	**8,356**	13,644
Ground support equipment ("**GSE**")	**1,865**	1,865
Firefighting and Rescue of Shanghai Jindun ("**F&R-Shanghai Jindun**")	**102,998**	–
Firefighting and Rescue of Shenyang Jietong ("**F&R-Shenyang Jietong**")	**116,726**	–
	389,750	175,314

18 INTANGIBLE ASSETS *(cont'd)*

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

(i) Impairment tests for goodwill and intangible assets with indefinite useful life *(cont'd)*

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.

Because of the reduction in sales orders, as at 31 December 2019, the recoverable amount of MHS-Jinte decreased to RMB8,356,000. An impairment loss of goodwill of RMB5,288,000 was recognised.

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

	2019	2018
MHS-PGL		
Gross profit margin	**18%-19%**	20%-26%
Terminal value growth rate	**3.07%**	2.97%
Discount rate	**11.47%**	13.48%

	2019	2018
F&R-CFE		
Budgeted revenue growth	**5%-9%**	9%
Gross profit margin	**20%-21%**	20%-21%
Terminal value growth rate	**2.5%**	2.5%
Discount rate	**11.51%**	10%

	2019	2018
MHS-Jinte		
Budgeted revenue growth	**5%-25%**	8%-25%
Gross profit margin	**21%**	22%
Terminal value growth rate	**3%**	3%
Discount rate	**18.28%**	16%

18 INTANGIBLE ASSETS *(cont'd)*

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

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

	2019
F&R-Shanghai Jindun	
Budgeted revenue growth	**3%-10%**
Gross profit margin	**31%**
Terminal value growth rate	**3%**
Discount rate	**16.27%**

	2019
F&R-Shenyang Jietong	
Budgeted revenue growth	**3%-6%**
Gross profit margin	**31%-35%**
Terminal value growth rate	**3%**
Discount rate	**15.04%**

i. 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.

ii. Gross profit margin

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

iii. Terminal value growth rate

Save for the three-year cash flow forecasts for the discounted cash flow models of MHS-PGL, all CGUs used five-year cash flow forecasts.

18 INTANGIBLE ASSETS *(cont'd)*

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

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

iv. 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 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 for MHS-PGL

31 December 2019

The recoverable amount of MHS-PGL exceeded its carrying amount by RMB40,757,000. If the estimated gross margin, estimated terminal growth rate and estimated discount rate used in the value-in-use calculation had been 2.04% lower, 1.46% lower and 3.35% higher than management's estimates respectively, the recoverable amount would have been equal to the carrying amount.

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.

(iv) Sensitivity analysis of the key assumptions used for F&R-CFE

Management is of the view that any reasonable change in key assumptions used in the value-in-use calculation of F&R-CFE would not result in material impact to the consolidated financial statements of the Group for the financial years ended 31 December 2019 and 2018.

18 INTANGIBLE ASSETS *(cont'd)*

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

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

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

(vi) Sensitivity analysis of the key assumptions used for F&R-Shanghai Jindun

Management is of the view that any reasonable change in key assumptions used in the value-in-use calculation of F&R-Shanghai Jindun would not result in material impact to the consolidated financial statements of the Group for the financial year ended 31 December 2019.

(vii) Sensitivity analysis of the key assumptions used in F&R-Shenyang Jietong

Management is of the view that any reasonable change in key assumptions used in the value-in-use calculation of Shenyang Jietong would not result in material impact to the consolidated financial statements of the Group for the financial year ended 31 December 2019.

(b) Operating rights for automated parking system

In 2015, the Group entered into a service concession agreement under a "Build-Operate-Transfer" model with a real estate developer in Anhui, the PRC. 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 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 real estate developer and the Group will have no further involvement in its operation or maintenance.

19 INVESTMENTS IN ASSOCIATES

Set out below are the associates of the Group as at 31 December 2019 and 2018. The percentage of ownership interest listed below represented the equity interests and proportion of voting rights in the associates held directly by the respective subsidiaries of the Company. The countries of incorporation or establishment are also their principal places of business. All associates were accounted for using the equity method.

Name of entity	Places of business/ countries of incorporation/ establishment	% of ownership interest		Carrying amount	
		2019	2018	**2019** RMB'000	2018 RMB'000 (restated)
CIMC Finance (a)	PRC	**10.54%**	10.54%	**170,948**	160,760
Shenzhen Zhonglian (b)	PRC	**33%**	33%	**111**	111
Tongchuang (e)	PRC	**5%**	–	**10,000**	–
Cela (c)	Italy	**25%**	25%	**22,577**	21,727
Bavaria Ziegler (d)	Egypt	**10%**	–	**868**	–
Total investments in associates				**204,504**	182,598

(a) CIMC Finance Company Limited ("**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 in its board of directors.

19 INVESTMENTS IN ASSOCIATES *(cont'd)*

(b) Shenzhen Zhonglian Chanxueyan Technology Co., Ltd ("**Shenzhen Zhonglian**") has not commenced its commercial operations since establishment.

(c) Cela S.R.L ("**Cela**") is a company principally engaged in the manufacturing and sales of hydraulic rescue platforms.

(d) Bavaria Ziegler Company LLC ("**Bavaria Ziegler**") is a company principally engaged in the manufacturing of fire engines, ambulances, rescuing vehicles and riot control vehicles. The Group has significant influence on Bavaria Ziegler by having a representative in its board of directors.

(e) The investment in Shenzhen Tongchuang Supply Chain Co., Ltd. ("**Tongchuang**") was originally accounted for as a financial asset at fair value through profit or loss when the Group completed the acquisition of 5% equity interests in it in January 2019. Since the Group appointed a representative to the board of directors of Tongchuang on 21 October 2019 following the amendment of the articles of associations of Tongchuang, the investment in Tongchuang has been reclassified to investment in associates. Tongchuang is principally engaged in (i) sale and trading of steel and aluminum products; and (ii) provision of supply chain management services.

19 INVESTMENTS IN ASSOCIATES *(cont'd)*

(f) Summarised financial information for associates

The tables below provide summarised financial information for CIMC Finance, Tongchuang and Cela. The information disclosed reflects the amounts presented in the financial statements of the associates and not the Group's share of those amounts. 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.

2019	**CIMC Finance RMB'000**	**Tongchuang RMB'000**	**Cela RMB'000**
Summarised statement of financial position			
Current assets	7,569,286	323,554	81,445
Non-current assets	62,992	43,310	24,859
Current liabilities	(5,994,106)	(177,238)	(73,703)
Non-current liabilities	(16,395)	–	(374)
Net assets	1,621,777	189,626	32,227
Reconciliation to carrying amounts:			
Opening net assets at 1 January 2019	1,524,423	157,719	28,564
Profit for the year	131,643	8,713	5,055
Capital invested by shareholders	–	25,194	–
Distribution to shareholders	(34,972)	(2,000)	–
Other comprehensive income	683	–	(1,296)
Currency translation difference	–	–	(96)
Closing net assets at 31 December 2019	1,621,777	189,626	32,227
Group's share in %	10.54%	5%	25%
Group's share in RMB	170,948	10,000	8,061
Goodwill	–	–	14,516
Carrying amount	170,948	10,000	22,577
Summarised statement of profit or loss and other comprehensive income			
Revenue	47,572	1,225,207	128,019
Profit for the year	131,643	8,713	5,055
Other comprehensive income	683	–	(1,296)
Total comprehensive income	132,326	8,713	3,759

19 INVESTMENTS IN ASSOCIATES *(cont'd)*

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

2018	**CIMC Finance**	**Cela**
	RMB'000	RMB'000
Summarised statement of financial position		
Current assets	8,955,947	75,926
Non-current assets	21,202	28,108
Current liabilities	(7,451,861)	(75,266)
Non-current liabilities	(47)	(204)
Net assets	1,525,241	28,564
Reconciliation to carrying amounts:		
Opening net assets at acquisition dates	1,517,203	18,172
Profit for the period	8,416	10,242
Other comprehensive income	(378)	–
Currency translation difference	–	150
Closing net assets at 31 December 2018	1,525,241	28,564
Group's share in %	10.54%	25%
Group's share in RMB	160,760	7,143
Goodwill	–	14,584
Carrying amount	160,760	21,727
Summarised statement of profit or loss and other comprehensive income		
Revenue	29,996	150,125
Profit for the period	8,416	10,242
Other comprehensive income	(378)	–
Total comprehensive income	8,038	10,242

Shenzhen Zhonglian and Bavaria Ziegler are individually immaterial associates and are not material in aggregate to the Group.

19 INVESTMENTS IN ASSOCIATES *(cont'd)*

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

Reconciliation of the carrying amount of investments in associates:

	2019	2018
	RMB'000	RMB'000
		(restated)
At beginning of the year	**182,598**	19,038
Additions	**20,857**	160,024
Disposal (i)	**(10,295)**	–
Share of profit of associates	**15,106**	3,447
Dividends	**(3,687)**	–
Share of other comprehensive loss of associates	**–**	(43)
Currency translation difference	**(75)**	132
At end of the year	**204,504**	182,598

(i) On 21 June 2019, Allied Best (China), an indirect wholly-owned subsidiary of the Company, entered into an equity transfer agreement with CIMC Investment, to dispose of the 10% equity interests of Huijie it held at nil consideration. Allied Best (China) acquired the 10% equity interests of Huijie in January 2019 at nil consideration but to assume the obligation of the vendor to contribute to the paid-up capital of Huijie of RMB10,000,000. CIMC Investment agreed to take the obligation of Allied Best (China) to contribute RMB10,000,000 to the registered capital of Huijie in accordance with the terms of the equity transfer agreement.

20 OTHER NON-CURRENT ASSETS

	2019	2018
	RMB'000	RMB'000
Prepayment for acquisition of subsidiaries (a)	**–**	354,540
Prepayment for software	**2,811**	–
Others	**905**	3,776
	3,716	358,316

(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 RMB 354,540,000 in total for the two acquisitions. The acquisition of Shenyang Jietong were completed in May 2019 and the acquisition of Shanghai Jindun was completed in April 2019.

21 INTERESTS IN SUBSIDIARIES

At 31 December 2019 and 2018, the Company had direct or indirect interests in the following subsidiaries:

Name	Place of incorporation/ establishment and kind of legal entity	Date of incorporation/ establishment	Principal activities	Share capital issued/ registered capital	Percentage of shareholding held by the Company	
					2019	2018
AeroMobiles Pte., Ltd.	Singapore, limited liability company	16 April 2003	Manufacture and repair of airport ground support equipment	SGD1,000,000	**99.41%**	99.41%
Albert Ziegler GmbH	Germany, limited liability company	14 August 2013	Investment holding	RMB245,346,000	**100%**	40%
Albert Ziegler GmbH (Beijing)	PRC, wholly-owned foreign enterprise	9 May 2014	Production and sale of fire engines and fire prevention and fighting equipment	EUR1,500,000	**100%**	100%
Albert Ziegler Feuerschutz GmbH	Germany, limited liability company	10 December 1990	Sale, design and technical service of modern logistics automation system and high speed sorting systems	EUR77,000	**100%**	100%
Allied Best (China) Fire Safety Appliances Manufacturing Co., Ltd	PRC, wholly owned foreign enterprise	2 August 2006	Production and sale of fire prevention and fighting equipment	HKD530,000,000	**100%**	100%
Allied Best Holdings Limited	British Virgin Islands ("**BVI**"), limited liability company	5 September 2002	Investment holding	USD1	**100%**	100%
CFE Appliances Investment Company Limited	Hong Kong, limited liability company	12 January 2005	Investment holding	HKD1,000	**100%**	100%
China Fire Safety Enterprise Group Limited	BVI, limited liability company	29 April 2009	Investment holding	USD1	**100%**	100%
CIMC Air Marrel SAS	France, limited liability company	10 December 2013	Manufacturing and exporting ground support equipment	EUR1,200,000	**99.59%**	99.59%
中集安防科技有限公司 (CIMC Anfang Technology Co., Ltd. *)(Note (a)(ii))	PRC, limited liability company	19 July 2019	Sale, design and technical service of mobile fire stations, rescue stations and fire trucks	RMB100,000,000	**40%**	40%

21 INTERESTS IN SUBSIDIARIES *(cont'd)*

Name	Place of incorporation/ establishment and kind of legal entity	Date of incorporation/ establishment	Principal activities	Share capital issued/ registered capital	Percentage of shareholding held by the Company	
					2019	2018
CIMC-Tianda Airport Services B.V	Netherland, limited liability company	29 March 2018	Maintenance and other specialised business service for airport and harbor equipment	EUR1,000,000	**79.67%**	79.67%
CIMC-Tianda Airport Support (Hong Kong) Limited	Hong Kong, limited liability company	23 May 2013	Sale and distribution of passenger boarding bridge and ground support equipment	HKD1,000,000	**99.59%**	99.59%
中集天達富誠航空設備成都有限公司 (CIMC-Tianda Fucheng Aviation Equipment (Chengdu) Co., Ltd. *)	PRC, limited liability company	8 May 2019	Manufacture and sales of airport equipment, materials handling systems	RMB10,000,000	**50.79%**	NA
中集天達（龍岩）投資發展有限公司(CIMC-Tianda (Longyan) Investment Development Co., Ltd.*)	PRC, limited liability company	23 April 2014	Investment and asset management in parking lot business	RMB3,000,000	**59.75%**	59.75%
CIMC-TIANDA Netherlands Coöperatief U.A.	Netherlands, limited liability company	4 December 2017	Provision of after-sales service for passenger boarding bridges, passengers boarding bridge installation and renovation, spare parts sales and procurement, and airport maintenance.	EUR180,001	**99.59%**	99.59%
CIMC Pteris Middle East LLC	United Arab Emirates, limited liability company	24 August 2004	Engineering works	AED300,000	**99.41%**	99.41%
CIMC Tianda USA, Inc.	USA, limited liability company	22 September 2017	Manufacturing and assembly of airport equipment	USD1,000	**99.59%**	99.59%
Inter-Roller Engineering Services Pte., Ltd.	Singapore, limited liability company	12 January 1990	Provision of infrastructural engineering design works and consultancy services	SGD1,500,000	**99.41%**	99.41%
Inter-Roller Investments Pte., Ltd.	Singapore, limited liability company	29 June 1982	Investment holding	SGD1,000,002	**99.41%**	99.41%

21 INTERESTS IN SUBSIDIARIES *(cont'd)*

Name	Place of incorporation/ establishment and kind of legal entity	Date of incorporation/ establishment	Principal activities	Share capital issued/ registered capital	Percentage of shareholding held by the Company	
					2019	2018
昆山中集物流自動化設備有限公司 (Kunshan CIMC Logistics Automation Equipment Co., Ltd.*)	PRC, limited liability company	7 May 2014	Design, development, integration, information, consultancy, systems engineering and equipment planning for material handling system	RMB80,000,000	**91.59%**	91.59%
廊坊中集空港設備有限公司 (Langfang CIMC Airport Support Ltd.*)	PRC, limited liability company	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%**	99.59%
Pteris Global (Beijing) Ltd.	PRC, wholly owned foreign enterprise	11 April 2005	Engineering works and after sales services	USD3,320,000	**99.41%**	99.41%
Pteris Global (Canada) Inc.	Canada, limited liability company	11 August 2008	Supply and maintenance of airport logistics systems and equipment	CAD100	**99.41%**	99.41%
Pteris Global (India) Pte., Ltd.	India, limited liability company	22 October 2010	Supply and maintenance of airport logistics system and equipment	INR100,000	**99.41%**	99.41%
Pteris Global Ltd.	Singapore, limited liability company	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%**	99.41%
Pteris Global Sdn. Bhd.	Singapore, limited liability company	8 November 1995	Manufacture of airport logistics system and equipment	MYR8,000,000	**99.41%**	99.41%
Pteris Global (Singapore) Pte., Ltd.	Singapore, limited liability company	22 January 1993	Investment holding	SGD300,000	**99.41%**	99.41%

21 INTERESTS IN SUBSIDIARIES *(cont'd)*

Name	Place of incorporation/ establishment and kind of legal entity	Date of incorporation/ establishment	Principal activities	Share capital issued/ registered capital	Percentage of shareholding held by the Company 2019	2018
Pteris Global (Suzhou) Ltd.	PRC, wholly owned foreign enterprise	17 September 2007	Design and manufacture of airport logistics system	USD4,000,000	**99.41%**	99.41%
Pteris Global (Thailand) Pte., Ltd.	Thailand, limited liability company	15 March 2012	Supply and maintenance of airport logistics systems and equipment	THB1,000,000	**99.41%**	99.41%
Pteris Global (USA) Inc.	USA, limited liability company	23 September 2008	Supply and maintenance of airport logistics systems and equipment	USD100,000	**99.41%**	99.41%
P.T. Ziegler Indonesia	Indonesia, limited liability company	23 September 1994	Sale, design and technical service of fire station system and fire trucks	USD2,800,000	**92%**	92%
上海金盾特種車輛裝備有限公司 (Shanghai Jindun Special Vehicle Equipment Co., Ltd. *)	PRC, limited liability company	28 January 2010	Production and sale of fire engines and fire prevention and fighting equipment	RMB83,330,000	**100%**	NA
瀋陽捷通消防車有限公司 (Shenyang Jietong Fire Truck Co., Ltd. *)	PRC, limited liability company	7 January 1974	Production and sale of fire engines and fire prevention and fighting equipment	RMB120,000,000	**60%**	NA
深圳中集智能停車有限公司 (Shenzhen CIMC Autoparking System Co., Ltd. *) (Note (a)(i))	PRC, limited liability company	8 March 2017	Sale and technical service of automatic parking system and equipment, mechanical products, metal structural parts, self-produced products and agent products	RMB30,000,000	**74.69%**	99.59%
深圳中集天達空港設備有限公司 (Shenzhen CIMC-Tianda Airport Support Ltd.*)	PRC, wholly owned foreign enterprise	18 July 1992	Manufacture and sales of airport equipment, materials handling systems and automated parking systems	USD13,500,000	**99.59%**	99.59%

21 INTERESTS IN SUBSIDIARIES *(cont'd)*

Name	Place of incorporation/ establishment and kind of legal entity	Date of incorporation/ establishment	Principal activities	Share capital issued/ registered capital	Percentage of shareholding held by the Company	
					2019	2018
深圳中集天達物流系統工程有限公司 (Shenzhen CIMC Intralogistics Systems Co., Ltd.*)	PRC, limited liability company	18 April 2013	Planning, consultancy, development, design, production and integration of material handling system	RMB60,000,000	**99.59%**	99.59%
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, limited liability company	9 January 2017	Research and development of air conditioning technology; sale of air conditioning equipment	RMB50,000,000	**69.71%**	69.71%
四川川消消防車輛製造有限公司(Sichuan Chuanxiao Fire Trucks Manufacturing Co., Ltd.*)	PRC, sino-foreign equity joint venture	7 November 1980	Production and sale of fire engines and fire prevention and fighting equipment	RMB80,640,000	**100%**	100%
四川中集智慧消防科技有限公司 (Sichuan CIMC Zhihuixiaofang Technology Co., Ltd*)	PRC, limited liability company	28 March 2014	Provision of fire engines repairs and maintenance services	RMB2,000,000	**100%**	100%
Signalis B.V	Holland, limited liability company	23 May 2000	Manufacturing and sales of fire vehicles	EUR18,200	**100%**	100%
Visser B.V	Holland, limited liability company	12 September 1994	Production and sale of fire engines and fire prevention and fighting equipment	EUR18,152	**95%**	95%
Tianda-Rus Ltd.	Russia, limited liability company	12 August 2015	Sale of airport equipment and material handling system	RUB10,000	**100%**	100%
Wang Sing Technology Limited ("**Wang Sing**")	BVI, limited liability company	12 October 2000	Investment holding	USD4,984,359	**100%**	100%
民航協發機場設備有限公司 (Xinfa Airport Equipment Ltd.*)	PRC, limited liability company	3 December 1997	Manufacture and sale of ground support equipment	RMB25,000,000	**69.71%**	69.71%

21 INTERESTS IN SUBSIDIARIES *(cont'd)*

Name	Place of incorporation/ establishment and kind of legal entity	Date of incorporation/ establishment	Principal activities	Share capital issued/ registered capital	Percentage of shareholding held by the Company	
					2019	2018
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, limited liability company	11 November 2010	Sale, design and technical service of modern logistics automation system and high speed sorting systems	RMB20,000,000	**91.59%**	91.59%
Ziegler Auslandsholding GmbH	Germany, limited liability company	27 June 2011	Sale, design and technical service of fire station system and fire trucks	EUR30,000	**100%**	100%
Ziegler Brandweertechniek B.V.	Holland, limited liability company	29 December 1977	Production and sale of fire engines and fire prevention and fighting equipment	EUR465,124	**100%**	100%
Ziegler d.o.o	Croatia, limited liability company	5 December 2000	Manufacture and sales of airport equipment, materials handling systems	HRK410,800	**100%**	100%
Ziegler Dutch Holding B.V	Holland, limited liability company	5 January 2016	Sale, design and technical service of modern logistics automation system and high speed sorting systems	EUR10,000	**100%**	100%
Ziegler Feuerwehrgerätetechnik GmbH & Co. KG	Germany, limited liability company	20 July 1993	Manufacturing fire vehicles	EUR950,000	**100%**	100%
Ziegler GmbH	Germany, limited liability company	24 August 2011	Investment holding	EUR25,000	**100%**	100%
Ziegler Hasicska Technika s.r.o.	The Czech Republic, limited liability company	8 March 2007	Production and sale of fire engines and fire prevention and fighting equipment	CZK2,000,000	**100%**	100%
Ziegler Italiana S.r.l	Italy, limited liability company	19 February 1996	Investment holding	EUR10,400	**100%**	100%
Ziegler Safety GmbH & Co. KG	Germany, limited liability company	31 August 2011	Production and sale of fire engines and fire prevention and fighting equipment	EUR1,000,000	**100%**	100%

21 INTERESTS IN SUBSIDIARIES *(cont'd)*

Name	Place of incorporation/ establishment and kind of legal entity	Date of incorporation/ establishment	Principal activities	Share capital issued/ registered capital	Percentage of shareholding held by the Company	
					2019	2018
Ziegler S Gasilska tehnika	Slovenia, limited liability company	3 November 2006	Manufacturing and sales of fire vehicles	EUR62,594	**100%**	100%
Ziegler Verwaltungsgesellschaft	Germany, limited liability company	10 May 1993	Manufacture and sales of airport equipment, materials handling systems	EUR30,000	**100%**	100%

* For identification only

(a) Transaction with non-controlling interests

(i) On 28 June 2019, SZ TianDa entered into an equity transfer agreement with a partnership enterprise, to dispose 25% equity interests of Shenzhen CIMC Autoparking System Co., Ltd. at a consideration of RMB7,500,000. The difference between disposal consideration and the carrying amount of non-controlling interests amounting to RMB6,218,000 was recognised in other reserve.

(ii) On 16 July 2019, Allied Best (China) entered into an investment agreement with CIMC Technology Co., Ltd, CIMC Finance Leasing Co., Ltd, CIMC Investment and Shenzhen Daohe Venture Capital Partnership Enterprise, to establish CIMC Anfang in the PRC. The registered capital of CIMC Anfang is RMB100,000,000, of which 40% will be contributed by the Group. The Group has control the board of directors of CIMC Anfang as the Group has obtained 60% voting rights, through an acting-in-concert agreement entered into among Allied Best (China), Shenzhen Daohe Venture Capital Partnership Enterprise and CIMC Investment. As such, CIMC Anfang is accounted for as a subsidiary of the Group and its financial results are consolidated into the Group's consolidated financial statements. As at 31 December 2019, paid-in capital received from non-controlling interests of CIMC Anfang was RMB9,000,000.

22 FINANCIAL INSTRUMENTS BY CATEGORY

	2019 RMB'000	2018 RMB'000 (restated)
Financial assets		
Financial assets at amortised cost:		
– Trade and other receivables excluding prepayments	**2,738,028**	1,823,700
– Pledged bank deposits	**34,342**	17,057
– Cash and cash equivalents	**768,386**	557,469
– Amounts due from related parties	**27,165**	29,376
– Contract assets	**673,281**	410,204
Financial assets at fair value:		
– Financial assets at FVOCI	**16,829**	22,065
– Financial assets at FVPL	**88**	–
Total	**4,258,119**	2,859,871
Financial liabilities		
Financial liabilities at amortised cost:		
– Borrowings	**1,927,728**	1,244,171
– Trade and other payables excluding non-financial liabilities	**1,817,648**	1,426,503
– Amounts due to related parties	**349,849**	79,247
– Convertible bonds	**73,322**	84,327
– Contract liabilities	**1,338,812**	744,088
– Finance lease liabilities	–	338
– Lease liabilities	**139,764**	–
Financial liabilities at fair value:		
– Financial liabilities at fair value through profit or loss	**984**	–
Total	**5,648,107**	3,578,674

23 INVENTORIES

	2019	2018
	RMB'000	RMB'000
		(restated)
Work in progress	**1,321,608**	727,563
Raw materials	**612,801**	530,778
Finished goods	**336,234**	318,830
Spare parts	**19,852**	23,233
	2,290,495	1,600,404
Less: provision for impairment	**(38,045)**	(42,249)
	2,252,450	1,558,155

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 RMB3,376,250,000 and RMB2,531,544,000 for the years ended 31 December 2019 and 2018, respectively.

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

	2019	2018
	RMB'000	RMB'000
		(restated)
At beginning of the year	**42,249**	45,315
Provision for inventories	**7,920**	3,480
Allowance utilised	**(11,851)**	(6,578)
Currency translation differences	**(273)**	32
At end of the year	**38,045**	42,249

24 TRADE AND OTHER RECEIVABLES

	2019 RMB'000	2018 RMB'000 (restated)
Trade receivables	**2,521,816**	1,648,529
Less: provision for impairment of trade receivables	**(119,343)**	(99,864)
Total trade receivables – net	**2,402,473**	1,548,665
Other receivables	**198,966**	171,195
Less: provision for impairment of other receivables	**(2,750)**	(3,664)
Total other receivables – net	**196,216**	167,531
Deposits	**85,944**	44,012
Tax refund	**27,993**	19,066
Prepayments	**280,066**	251,003
Advances to staff	**10,807**	11,215
Advance payments made on behalf of customers	**14,595**	33,211
Total prepayments and other receivables	**615,621**	526,038
	3,018,094	2,074,703

As at 31 December 2019 and 2018, 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.

24 TRADE AND OTHER RECEIVABLES *(cont'd)*

The movement of loss allowance for trade receivables are as follows:

	2019	2018
	RMB'000	RMB'000
		(restated)
At beginning of the year	**99,864**	79,872
Provision for trade receivables	**48,279**	27,730
Unused amount reversed	**(25,447)**	(7,848)
Allowance utilised	**(3,952)**	–
Currency translation differences	**599**	110
At end of the year	**119,343**	99,864

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.

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 2019 and 2018, was as follows:

	2019	2018
	RMB'000	RMB'000
		(restated)
Trade receivables – gross		
– 0 to 90 days	**1,789,339**	1,001,083
– 91 to 180 days	**153,887**	234,933
– 181 to 360 days	**299,810**	183,997
– Over 360 days	**278,780**	228,516
	2,521,816	1,648,529

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 2019 and 2018.

25 FINANCIAL ASSETS AT FAIR VALUE THROUGH COMPREHENSIVE INCOME

As at 31 December 2019 and 2018, bill receivables amounted to RMB16,829,000 and RMB22,065,000, respectively, 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.

26 CONTRACT ASSETS AND LIABILITIES

The Group has recognised the following assets and liabilities related to contracts with customers:

	2019	2018
	RMB'000	RMB'000
		(restated)
Contract assets:		
Current contract assets relating to uncompleted construction contracts	**199,052**	184,055
Retention receivables	**474,229**	226,149
Total contract assets	**673,281**	410,204
Contract liabilities:		
Advance received from customers	**1,217,246**	538,838
Current contract liabilities relating to uncompleted construction contracts	**121,566**	205,250
Total contract liabilities	**1,338,812**	744,088

(a) 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 due for settlement after the expiry of warranty period. Warranty periods are normally 1-2 years. As at 31 December 2019, contract assets of RMB381,304,000 were expected to be realised after one year (2018: RMB107,917,000).

26 CONTRACT ASSETS AND LIABILITIES *(cont'd)*

(a) Contract assets and liabilities *(cont'd)*

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.

(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 years ended 31 December 2019 and 2018 relating to contract liabilities brought forward:

	2019	2018
	RMB'000	RMB'000
		(restated)
Balance at beginning of year	**744,088**	511,650
Increase in contract liabilities as a result of advanced payment received from customers	**1,217,246**	514,052
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	**(622,522)**	(281,614)
Balance at end of year	**1,338,812**	744,088

27 PLEDGED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

	2019	2018
	RMB'000	RMB'000
		(restated)
Cash at bank and on hand	**696,766**	532,975
Cash at CIMC Finance	**105,962**	41,551
	802,728	574,526
Less: Pledged bank deposits	**(34,342)**	(17,057)
Cash and cash equivalents	**768,386**	557,469

Cash at CIMC Finance refer to deposits placed with CIMC Finance, an associate of the Company.

The pledged bank deposits at 31 December 2019 and 2018 were mainly pledged for bid bond guarantee, performance guarantee and guarantee for letter of credit issued.

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

	2019	2018
	RMB'000	RMB'000
		(restated)
RMB	**578,118**	325,048
HKD	**23,807**	41,101
EUR	**90,132**	123,701
SGD	**61,265**	31,956
USD	**24,761**	18,817
RUB	**14,575**	17,138
Others	**10,070**	16,765
	802,728	574,526

28 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:

	2019	2018
	RMB'000	RMB'000
		(restated)
Total deferred tax assets	**97,665**	72,135
Set-off of deferred tax liabilities pursuant to set-off provisions	**(23,329)**	(10,537)
Net deferred tax assets	**74,336**	61,598
Total deferred tax liabilities	**94,215**	37,477
Set-off of deferred tax assets pursuant to set-off provisions	**(23,329)**	(10,537)
Net deferred tax liabilities	**70,886**	26,940

28 DEFERRED INCOME TAX *(cont'd)*

(a) Deferred tax assets *(cont'd)*

Movement in deferred income tax assets, 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	Defined benefit retirement plan liability	Accrued expenses	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2018 (restated)	4,201	14,524	7,034	21,594	5,601	4,315	–	616	57,885
Acquisition of subsidiaries	–	417	2,960	–	1,963	–	–	4,938	10,278
Credited/(charged) to profit or loss	898	(2,341)	4,070	(1,026)	2,130	632	–	(808)	3,555
Credited/(charged) to reserve	–	133	–	–	–	(117)	–	–	16
Currency translation differences	29	160	(2)	97	49	29	–	39	401
At 31 December 2018 (restated)	**5,128**	**12,893**	**14,062**	**20,665**	**9,743**	**4,859**	**–**	**4,785**	**72,135**
Acquisition of subsidiaries (Note 37)	**306**	**287**	**509**	**–**	**–**	**–**	**–**	**1,031**	**2,133**
Credited/(charged) to profit or loss	**3,862**	**4,695**	**4,108**	**(10,021)**	**3,144**	**671**	**13,626**	**480**	**20,565**
Credited to reserve	**–**	**–**	**–**	**–**	**224**	**1,242**	**–**	**–**	**1,466**
Currency translation differences	**–**	**(11)**	**1,408**	**(188)**	**70**	**1**	**172**	**(86)**	**1,366**
At 31 December 2019	**9,296**	**17,864**	**20,087**	**10,456**	**13,181**	**6,773**	**13,798**	**6,210**	**97,665**

28 DEFERRED INCOME TAX *(cont'd)*

(b) Deferred tax liabilities

As at 31 December 2019 and 2018, deferred income tax liabilities of RMB100,594,000 and RMB72,640,000, respectively, for the withholding and other taxes associated with the undistributed earnings of subsidiaries of the Company, have not been recognised. The undistributed profits amounted to RMB1,379,143,000 and RMB1,038,152,000 as at 31 December 2019 and 2018 respectively, were reinvested and the Group does not have a plan of distribution as at the date of these consolidated financial statements.

Movement in deferred income tax liabilities, 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 2018 (restated)	17,659	269	8,737	–	410	27,075
(Credited)/charged to profit or loss	(827)	90	78	1,488	(2,262)	(1,433)
Acquisition of subsidiaries	1,521	–	7,666	–	2,495	11,682
Currency translation differences	7	9	88	–	49	153
At 31 December 2018 (restated)	**18,360**	**368**	**16,569**	**1,488**	**692**	**37,477**
(Credited)/charged to profit or loss	**(414)**	**98**	**12,806**	**–**	**(2,052)**	**10,438**
Acquisition of subsidiaries (Note 37)	**5,811**	**–**	**31,107**	**–**	**10,021**	**46,939**
Currency translation differences	**(47)**	**–**	**(479)**	**–**	**(113)**	**(639)**
At 31 December 2019	**23,710**	**466**	**60,003**	**1,488**	**8,548**	**94,215**

29 SHARE CAPITAL

	2018	
	Number of shares	Amount
	'000	HKD'000
Authorised:		
Shares of HKD0.01 each at 1 January 2018	10,000,000	100,000
Increase in authorised capital (a)	40,000,000	400,000
At 31 December 2018	50,000,000	500,000
		RMB'000
Issued and fully paid:		
At 1 January 2018 (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 (d)	1,014,679	8,135
Issuance of shares pursuant to a subscription agreement (e)	673,225	5,448
Issuance of shares pursuant to conversion of convertible bonds by bondholders (f)	2,250,000	18,209
At 31 December 2018	14,471,904	123,522

29 SHARE CAPITAL *(cont'd)*

	2019	
	Number of shares	Amount
	'000	HKD'000
Authorised:		
At 1 January 2019 and 31 December 2019	50,000,000	500,000
		RMB'000
Issued and fully paid:		
At 1 January 2019	14,471,904	123,522
Issue of shares pursuant to acquisition of Shanghai Jindun (g)	551,564	4,734
Issuance of shares pursuant to conversion of convertible bonds by bondholders (f)	916,693	8,256
At 31 December 2019	**15,940,161**	**136,512**

(a) Pursuant to the ordinary resolution passed by the Independent Shareholders at the extraordinary general meeting of the Company 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) The Pteris Acquisition was accounted for by the Company with the reverse acquisition accounting as per HKFRS 3 "Business Combination". Accordingly, the equity structure of Pteris (the accounting acquirer) was restated using the exchange ratio established in the agreement of the Pteris Acquisition to reflect the number of shares of the Company (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 the Company at date of completion of the Pteris Acquisition, i.e. 23 April 2018).

29 SHARE CAPITAL *(cont'd)*

(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 37), which was determined using the fair value of the issued equity of the Company immediately before the completion of the Pteris Acquisition, being 4,078,571,000 shares in issue at HKD0.38 each (the trading price of shares of the Company at date before the issuance of new shares for the Pteris Acquisition, i.e. 23 April 2018), was approximately RMB1,242,520,000. The difference between the fair value of the issued equity of the Company and the carrying amount of share capital and share premium of the Company was recorded in other reserves.

(d) 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. 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 amounted to RMB615,822,000 and the carrying amount of non-controlling interest amounted to RMB209,198,000 at the completion date of the Tianda Acquisition was recognised in other reserve.

(e) Shares 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.

(f) Shares issued upon conversion of convertible bonds at an initial conversion price of HKD0.366 per share or RMB0.3111 per share at the agreed fixed exchange rate of HKD1: RMB0.85 (the "**Initial Conversion Price**") (Note 32).

(g) Shares issued to satisfy part of the consideration for the acquisition of Shanghai Jindun that was completed in April 2019 (Note 37).

30 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 equity RMB'000
		Reserves								
Balance as 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
Ziegler under common control combination	2.1(b)	–	–	–	–	323,345	–	323,345	–	323,345
Balance as at 1 January 2018 (restated)		1,914,868	23,284	9,378	1,767,791	(2,798,237)	32,781	949,865	546,091	1,495,956
Comprehensive income										
–Profit for the year		–	–	–	–	–	–	–	177,713	177,713
–Currency translation differences		–	–	–	–	–	11,356	11,356	–	11,356
–Share of other comprehensive income of associates		–	–	–	–	(43)	–	(43)	–	(43)
–Remeasurement of employee benefit		–	–	–	–	62	–	62	–	62
Total comprehensive income for the year		–	–	–	–	19	11,356	11,375	177,713	189,088
Transaction with owners										
–Issuance of ordinary shares pursuant to reverse acquisition	(b)	1,037,907	–	–	–	164,636	–	1,202,543	–	1,202,543
–Issuance of convertible bonds pursuant to reverse acquisition (liability portion)	(c)	–	–	–	–	–	–	–	(102,519)	(102,519)
–Non-controlling interests recognised pursuant to reverse acquisition	(a)	–	–	–	–	(7,441)	–	(7,441)	–	(7,441)
–Transaction with non-controlling interests	29(d)	300,983	–	–	289,893	(406,624)	–	184,252	–	184,252
–Issuance of ordinary shares	29(e)	191,770	–	–	–	–	–	191,770	–	191,770
–Issuance of shares upon conversion of convertible bonds	29(f)	709,911	–	–	(688,120)	–	–	21,791	–	21,791
–Acquisition of additional interest in Ziegler	2.1(b)	–	–	–	–	(339,701)	–	(339,701)	–	(339,701)
Total transactions with owners, recognised directly in equity		2,240,571	–	–	(398,227)	(589,130)	–	1,253,214	(102,519)	1,150,695
Balance at 31 December 2018 (restated)		4,155,439	23,284	9,378	1,369,564	(3,387,348)	44,137	2,214,454	621,285	2,835,739

30 RESERVES *(cont'd)*

	Note	Reserves								
		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 equity RMB'000
Balance as at 1 January 2019		4,155,439	23,284	9,378	1,369,564	(3,387,348)	44,137	2,214,454	621,285	2,835,739
Comprehensive income										
–Profit for the year		–	–	–	–	–	–	–	215,736	215,736
–Currency translation differences		–	–	–	–	–	44,503	44,503	–	44,503
–Remeasurement of employee benefit		–	–	–	–	(3,472)	–	(3,472)	–	(3,472)
Total comprehensive income for the year		–	–	–	–	(3,472)	44,503	41,031	215,736	256,767
Transaction with owners										
–Capital disposal from non-controlling interest of a subsidiary without loss of control	21(a)	–	–	–	–	1,282	–	1,282	–	1,282
–Profit appropriations to statutory reserves	(d)	–	–	11,156	–	–	–	11,156	(11,156)	–
–Contribution from shareholders		–	–	–	–	(16,380)	–	(16,380)	–	(16,380)
–Distribution to previous shareholder of Ziegler under common control combination	2.1(b)	–	–	–	–	(245,346)	–	(245,346)	–	(245,346)
–Issuance of ordinary shares pursuant to acquisition of Shanghai Jindun	29(g)	132,570	–	–	–	–	–	132,570	–	132,570
–Issuance of shares upon conversion of convertible bonds	29(f)	290,660	–	–	(280,353)	–	–	10,307	–	10,307
Total transactions with owners, recognised directly in equity		423,230	–	11,156	(280,353)	(260,444)	–	(106,411)	(11,156)	(117,567)
Balance at 31 December 2019		4,578,669	23,284	20,534	1,089,211	(3,651,264)	88,640	2,149,074	825,865	2,974,939

30 RESERVES *(cont'd)*

(a) The 0.59% of shareholders of Pteris, who did not participate in the Pteris Acquisition and did not exchange their equity interests of Pteris for the equity interests of the Company. 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.

(d) In accordance with the PRC Company Law and the articles of association of the subsidiaries in the PRC, certain subsidiaries have appropriated 10% of their net profit to the statutory surplus reserve.

31 TRADE AND OTHER PAYABLES

	2019 RMB'000	2018 RMB'000 (restated)
Current		
– Trade payables (a)	**1,034,286**	920,406
– Dividend payables (b)	**79,083**	74,899
– Convertible bonds interests payable	**908**	986
– Staff salaries, bonuses, welfare payables and employee benefit obligation	**159,409**	112,556
– Accruals and other payables	**690,519**	424,269
	1,964,205	1,533,116
Non-current		
– Advances received (c)	**8,385**	8,752
– Other payables	**4,467**	5,943
– Employee retirement benefit obligations (d)	**24,292**	17,598
	37,144	32,293

As at 31 December 2019 and 2018, 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.

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

	2019 RMB'000	2018 RMB'000 (restated)
SGD	**77,713**	105,218
USD	**53,268**	83,844
RMB	**1,586,089**	1,095,589
EUR	**232,929**	228,746
Others	**51,350**	52,012
	2,001,349	1,565,409

31 TRADE AND OTHER PAYABLES *(cont'd)*

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

	2019	2018
	RMB'000	RMB'000
		(restated)
0-60 days	**729,587**	494,003
61-120 days	**96,961**	214,712
121-240 days	**60,851**	90,642
Over 240 days	**146,887**	121,049
	1,034,286	920,406

(b) The dividend payables represent SZ TianDa unpaid dividends to China International Marine Containers (Hong Kong) Ltd., the then shareholder of SZ TianDa, which were declared during 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 during the financial years of 2018 and 2019.

(c) 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 TRADE AND OTHER PAYABLES *(cont'd)*

(d) Employee retirement benefits obligations

Defined benefit plans

The Group's two subsidiaries, Ziegler and P.T. Ziegler Indonesia, operate defined benefit pension plans in Germany and Indonesia, respectively. All of the plans are final salary pension plans, which provide benefits to members in the form of a guaranteed level of pensions. The level of benefits provided depends on members' length of service and their salary in the final years leading up to retirement.

Participants of the defined benefit plans in Germany are those employees who have been in employment with Ziegler on or before 31 October 2011. The plans have been closed to new participants. The plan in Indonesia is opened to all full time employees of P.T. Ziegler Indonesia.

Provisions are made for the pension obligations based on the annual actuarial reports. No separate funds specifically for the pensions have been set. The Group pays the pensions the relevant employees entitled to on their retirement.

The risks associated with the pension plans essentially are the usual risks of defined benefit pension plans relating to possible changes to the discount rate, inflation trends and longevity.

The actuarial valuations of the present value of the pension obligations were carried out by certified actuaries. The present value of the pension obligations and the related service cost were calculated using the projected unit credit method.

31 TRADE AND OTHER PAYABLES *(cont'd)*

(d) Employee retirement benefits obligations *(cont'd)*

Defined benefit plans (cont'd)

The key assumptions applied for the actuarial valuations were as follows:

31 December 2019	**Germany**		**Indonesia**
	Collective defined benefit plan	**Defined benefit plan governed by an individual contract**	**Defined benefit plan**
Discount rate	**0.88%**	**0.88%**	**7.75%**
Estimated future pension increases	**1.50%**	**1.50%**	**0.00%**
Estimated future salary increases	**0.00%**	**0.00%**	**8.00%**
Expected turnover rate	**0.0%-10.0%***	**0.00%**	**0.0%-5.0%****
Average life expectancy upon reaching retirement age (years)	**26.98**	**16.65**	**13.23**

31 December 2018	Germany		Indonesia
	Collective defined benefit plan	Defined benefit plan governed by an individual contract	Defined benefit plan
Discount rate	1.82%	1.82%	8.50%
Estimated future pension increases	1.50%	1.50%	0.00%
Estimated future salary increases	0.00%	0.00%	8.00%
Expected turnover rate	0.0%-10.0%*	0.00%	0.0%-5.0%**
Average life expectancy upon reaching retirement age (years)	25.71	16.31	14.67

* Depended on the length of service with the employer

** Depended on the age of the active employees

31 TRADE AND OTHER PAYABLES *(cont'd)*

(d) Employee retirement benefits obligations *(cont'd)*

Defined benefit plans (cont'd)

The obligations arising from the defined benefit plans were as follows:

	Germany		Indonesia	
	Collective defined benefit plan RMB'000	Defined benefit plan governed by an individual contract RMB'000	Defined benefit plan RMB'000	Total RMB'000
Present value of the obligation:				
As at 1 January 2018	13,178	55	2,957	16,190
Changes recognised in the profit or loss				
– Current service cost	1,827	8	(78)	1,757
– Net interest	250	–	187	437
– Expected pension payments	(47)	–	(109)	(156)
– Currency translation differences	90	–	18	108
	15,298	63	2,975	18,336
Changes recognised in other comprehensive income				
– Actuarial losses from financial assumption	(109)	–	(265)	(374)
– Experience actuarial gains	(180)	–	–	(180)
– Actuarial gains from demographic assumptions	(117)	–	–	(117)
– Currency translation differences	(2)	–	(65)	(67)
As at 31 December 2018	14,890	63	2,645	17,598
Present value of the obligation:				
As at 1 January 2019	**14,890**	**63**	**2,645**	**17,598**
Changes recognised in the profit or loss				
– Current service cost	**1,721**	**7**	**193**	**1,921**
– Net interest	**285**	**–**	**201**	**486**
– Expected pension payments	**(54)**	**–**	**(139)**	**(193)**
– Currency translation differences	**(45)**	**–**	**(9)**	**(54)**
	16,797	**70**	**2,891**	**19,758**
Changes recognised in other comprehensive income				
– Actuarial losses from financial assumption	**4,444**	**8**	**177**	**4,629**
– Actuarial gains from demographic assumptions	**(285)**	**–**	**(8)**	**(293)**
– Currency translation differences	**52**	**–**	**146**	**198**
As at 31 December 2019	**21,008**	**78**	**3,206**	**24,292**

31 TRADE AND OTHER PAYABLES *(cont'd)*

(d) Employee retirement benefits *(cont'd)*

Defined benefit plans (cont'd)

No significant effects on the cash flow of the Group for the year ending 31 December 2020 are expected.

The following shows the approximate impact on the defined benefit obligations in the event of a change in the key actuarial assumptions for the collective defined benefit plan in Germany:

	Discount rate			**Pension increase rate**		
Change in the assumption	**(0.12%)**	**0.88%**	**1.88%**	**1.25%**	**1.50%**	**1.75%**
Defined benefit obligations at 31 December 2019	**27,446**	**20,748**	**16,057**	**19,977**	**20,748**	**21,559**

	Discount rate			**Pension increase rate**		
Change in the assumption	0.82%	1.82%	2.82%	1.25%	1.50%	1.75%
Defined benefit obligations at 31 December 2018	19,278	14,806	11,629	14,298	14,806	15,344

31 TRADE AND OTHER PAYABLES *(cont'd)*

(d) Employee retirement benefits *(cont'd)*

Defined benefit plans (cont'd)

The sensitivity analysis for the defined benefit plan in Indonesia is presented as follows:

	Discount rate			**Salary increase rate**		
Change in the assumption	**6.75%**	**7.75%**	**8.75%**	**7.00%**	**8.00%**	**9.00%**
Defined benefit obligations at 31 December 2019	**3,125**	**2,855**	**2,623**	**3,079**	**2,855**	**3,125**

	Discount rate			Salary increase rate		
Change in the assumption	7.50%	8.50%	9.50%	7.00%	8.00%	9.00%
Defined benefit obligations at 31 December 2018	2,482	2,264	2,077	2,077	2,264	2,482

The sensitivity analysis for the collective defined benefit plan in Germany with regard to the rate of benefit increase during the qualifying period can be dispensed with, as the retirement benefit does not depend on rates of salary increases or rates of benefit increases. Similarly, the sensitivity analysis of the defined benefit plan governed by an individual contract in Germany has been dispensed with for reasons of materiality.

The sensitivities indicated are estimated by actuaries based on the defined benefit obligations at the time they come into effect. If several assumptions change, the effect is not necessarily the same as the overall effect of the changes to these assumptions in themselves. A change in life expectancy of +/- 1 year has no significant effect on the defined benefit obligation. The same method is applied when calculating the sensitivity of the defined benefit obligation to the significant actuarial assumptions (present value of the defined benefit obligation calculated using the projected unit credit method) as is used when calculating the pension obligations that are recognised in the consolidated financial statements.

No changes to or expansions of the defined benefit plans are planned.

32 CONVERTIBLE BONDS

The Company issued convertible bonds with aggregate principal amount of RMB1,798,246,888 and RMB294,886,806 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 bondholders has the right to convert the bonds into shares of the Company credited as fully paid at any time from the issue date to maturity date, at the Initial Conversion Price.

The estimated fair value of the convertible bonds issued, as calculated using the Binomial pricing model, was approximately RMB2,177,015,000 at the date of issue and have been split between the liability element and an equity component. During the year ended 31 December 2019, convertible bonds with an aggregate principal value of RMB285,183,000 were converted into approximately 916,693,000 Shares (2018: convertible bonds with an aggregate principal value of RMB699,975,000 were converted into 2,250,000,000 Shares) at the Initial Conversion Price. The value of the liability component of the convertible bonds at 31 December 2019 and 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

	2019 RMB'000	2018 RMB'000
Liability component at date of issue	**–**	119,331
Liability component at beginning of year	**84,327**	–
Conversion into shares of the Company	**(18,563)**	(40,000)
Interest charged (Note 8)	**8,898**	5,982
Interest accruals	**(1,340)**	(986)
Liability component at end of year	**73,322**	84,327

32 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

33 BORROWINGS

	2019	2018
	RMB'000	RMB'000
		(restated)
Non-current		
Bank borrowings, secured (a)	**341,819**	155,416
Current		
Loans from an associate, unsecured	**198,000**	270,000
Bank borrowings, unsecured	**613,316**	279,139
Bank borrowings, secured (a)	**774,593**	539,616
	1,585,909	1,088,755
Total borrowings	**1,927,728**	1,244,171

(a) As at 31 December 2019, RMB341,819,000 of the bank loans are secured by the Group's equity interests in Shanghai Jindun and Shenyang Jietong and EUR99,148,000 (equivalent to approximately RMB774,593,000) (2018: EUR86,517,000 (equivalent to approximately RMB679,098,000)) of the bank loans were secured by corporate guarantees given by from China International Marine Containers (Hong Kong) Limited and CIMC.

33 BORROWINGS *(cont'd)*

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

	2019	2018
	%	%
		(restated)
Bank borrowings, unsecured	**3.50%**	2.32%
Loans from an associate, unsecured	**4.32%**	5.25%
Bank borrowings, secured	**2.07%**	1.64%

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

	2019	2018
	RMB'000	RMB'000
		(restated)
6 months or less	**1,313,710**	823,558
6-12 months	**614,018**	420,613
	1,927,728	1,244,171

33 **BORROWINGS** *(cont'd)*

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

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

	2019	2018
	RMB'000	RMB'000
		(restated)
RMB	**971,619**	508,454
EUR	**801,832**	735,717
HKD	**134,235**	–
SGD	**16,473**	–
HRK	**3,569**	–
	1,927,728	1,244,171

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

	2019	2018
	RMB'000	RMB'000
		(restated)
Floating rate:		
– Expiring within one year	**1,279,935**	1,054,417
– Expiring beyond one year	**191,000**	294,814
Fixed rate:		
– Expiring beyond one year	**1,059,000**	375,000
	2,529,935	1,724,231

34 PROVISIONS

	2019 RMB'000	2018 RMB'000 (restated)
Warranties (a)	**131,571**	97,433
Others	**9,475**	15,013
	141,046	112,446

	Warranties RMB'000	Liquidated damages RMB'000	Others RMB'000	Total RMB'000
As at 1 January 2018 (restated)	96,257	1,391	31,224	128,872
Currency translation differences	19	–	421	440
Acquisition of subsidiaries	2,783	–	3,460	6,243
Provision made/(reversed) -net	24,224	–	(5,286)	18,938
Provision utilised	(27,241)	–	(14,806)	(42,047)
At 31 December 2018 (restated)	**96,042**	**1,391**	**15,013**	**112,446**
Currency translation differences	**161**	**–**	**(2,676)**	**(2,515)**
Acquisition of subsidiaries (Note 37)	**1,911**	**–**	**–**	**1,911**
Provision made/(reversed) – net	**56,535**	**–**	**1,262**	**57,797**
Provision utilised	**(23,078)**	**–**	**(5,515)**	**(28,593)**
At 31 December 2019	**131,571**	**1,391**	**8,084**	**141,046**

(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. Provisions are recognised for each of the reporting period for expected warranty claims based on past experience of the level of repairs.

35 DEFERRED INCOME

	2019 RMB'000	2018 RMB'000 (restated)
Government grants	**83,550**	66,619

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;

(c) Government grant from Shanghai Fire Research Institute (government related) to be used for the research and development of certain fire trucks; and

(d) Government grant from Shenyang Housing Management Department (government related) to be used for the compensation for the demolition of factories.

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 upon conditions fulfilled or over the useful life of the related asset, as the case may be.

36 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation from profit before income tax to cash generated from operations:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
		(restated)
Cash flows from operating activities		
Profit before income tax	**315,401**	228,261
Adjustments for:		
Depreciation of property, plant and equipment	**87,627**	66,589
Amortisation of prepaid land lease payments	**–**	2,372
Amortisation of intangible assets	**73,580**	29,593
Depreciation of right-of-use assets	**24,481**	–
Impairment of goodwill	**5,288**	–
Net impairment loss on financial and contract assets	**24,678**	21,173
Provision for impairment of inventories	**7,920**	3,480
Reversal of other provision	**–**	(21,101)
Interest income	**(3,270)**	(2,314)
Dividend income	**–**	(31)
Interest expense	**78,742**	35,077
Loss on disposal of an associate	**295**	–
Net losses/(gains) on disposal of property, plant and equipment	**257**	(123)
Losses on disposal of intangible assets	**175**	–
Losses from disposal of other financial assets	**6,639**	1,540
Losses on fair value of other financial assets	**896**	–
Losses on impairment of financial assets at FVPL	**4,829**	–
Gain on fair value of investment properties	**(652)**	(601)
Share of profit of associates	**(15,106)**	(3,447)
Operating profit before working capital changes	**611,780**	360,468
Inventories and construction work-in-progress	**(325,478)**	(123,534)
Trade and other receivables and financial assets at FVOCI	**(354,112)**	(401,658)
Contract assets	**(170,063)**	(176,158)
Trade and other payables	**159,904**	349,191
Provision	**25,793**	54
Contract liabilities	**480,909**	72,394
Cash generated from operations	**428,733**	80,757
Income tax paid	**(73,832)**	(43,760)
Net cash generated from operating activities	**354,901**	36,997

36 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:

	2019 RMB'000	2018 RMB'000 (restated)
Properties, plant and equipment		
Net carrying amount disposed of	**579**	2,018
(Losses)/gains on disposal of property, plant and equipment (Note 7)	**(257)**	123
Proceeds from disposal	**322**	2,141

(c) Reconciliation of liabilities arising from financing activities

	At 1 January 2019 RMB'000	Acquisition of subsidiaries RMB'000	Currency translation difference RMB'000	Principal movement RMB'000	Non-cash changes RMB'000	At 31 December 2019 RMB'000
Borrowings	1,244,171	347,004	261	336,292	–	1,927,728
Amounts due to related parties	2,991	–	(53)	(2,938)	–	–
Lease liabilities	108,208	–	(316)	(15,321)	47,193	139,764
	1,355,370	347,004	(108)	318,033	47,193	2,067,492

	At 1 January 2018 RMB'000	Acquisition of subsidiaries RMB'000	Currency translation difference RMB'000	Principal movement RMB'000	Non-cash changes RMB'000	At 31 December 2018 RMB'000
Borrowings	680,621	–	3,384	560,663	(497)	1,244,171
Amounts due to related parties	–	–	16	2,991	(16)	2,991
Finance lease liabilities	437	–	21	(534)	414	338
	681,058	–	3,421	563,120	(99)	1,247,500

36 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS *(cont'd)*

(d) Non-cash investing and financing activities

As the Group has adopted HKFRS 16 from its mandatory adoption date of 1 January 2019, the Group has increased right-of-use assets amounted to RMB47,193,000 during the year ended 31 December 2019.

37 BUSINESS COMBINATION

(a) Acquisition of Shanghai Jindun

In April 2019, Allied Best (China), acquired 100% equity interest of Shanghai Jindun, a company principally engaged in the manufacturing and sale of fire engines and equipment. According to the equity transfer agreement, the consideration of RMB381,800,000 for the acquisition consists of 60% in cash and the remaining 40% by 551,564,000 new shares of the Company at an issue price of HK$0.3133. The consideration was payable in four instalments and subject to deductions in accordance with the terms of the agreement, including the profit guarantee given by the vendor of Shanghai Jindun in particular.

Upon the completion of the acquisition of Shanghai Jindun, Shanghai Jindun became a wholly-owned subsidiary of the Company. The identifiable assets and liabilities of Shanghai Jindun were recognised and measured at fair value. The excess of the fair value of the consideration over the identifiable net assets of Shanghai Jindun at fair value was recognised as goodwill in the consolidated statement of financial position at the acquisition date.

The effects of the acquisition of Shanghai Jindun are disclosed below.

(i) Purchase consideration:

	RMB '000
Prepayment made in cash in 2018	**114,540**
Cash consideration paid in 2019	**114,540**
New shares of the Company issued in 2019	**137,304**
Present value of contingent consideration (Note (v))	**(1,007)**
Total purchase consideration	**365,377**

37 BUSINESS COMBINATION *(cont'd)*

(a) Acquisition of Shanghai Jindun *(cont'd)*

(ii) Identifiable assets acquired and liabilities assumed of:

	April 2019 At fair value RMB '000
Property, plant and equipment	**44,224**
Right-of-use assets	**84,751**
Intangible assets	**31,542**
Deferred income tax assets	**2,133**
Inventories	**73,882**
Trade receivables	**174,296**
Prepayment and other receivables	**68,496**
Financial assets at fair value through other comprehensive income	**2,289**
Contract assets	**24,812**
Pledged bank deposits	**32,018**
Cash and cash equivalents	**21,628**
	560,071
Trade and other payables	**(57,474)**
Contract liabilities	**(43,331)**
Borrowings	**(170,000)**
Provisions	**(1,911)**
Current income tax liabilities	**(383)**
Deferred income tax liabilities	**(17,718)**
Deferred income	**(6,875)**
	(297,692)
Total identifiable net assets	**262,379**
Add:	
Goodwill	**102,998**
Total purchase consideration	**365,377**

37 BUSINESS COMBINATION *(cont'd)*

(a) Acquisition of Shanghai Jindun *(cont'd)*

(iii) Effect on cash flows of the Group

	RMB '000
Cash paid in 2018 (as above)	114,540
Cash paid in 2019 (as above)	**114,540**
Less: Cash and cash equivalents in the subsidiary acquired	**(21,628)**
Cash outflow on acquisition in 2019	**92,912**

(iv) According to the sale and purchase agreement, part of the purchase consideration was settled by 551,564,000 new shares of the Company at an issue price of HK$0.3133.

(v) Contingent consideration

As stipulated in the equity transfer agreement in relation to the acquisition of Shanghai Jindun, there was a performance guarantee arrangement in respect of the financial performance of Shanghai Jindun and the vendor of Shanghai Jindun should make financial compensation to Allied Best (China) in the event that the performance guarantee were not satisfied. The contingent consideration, amounted to RMB1,007,000 and recognised as a financial asset at fair value through profit or loss in the consolidated financial statements of the Group upon completion of the acquisition, was the estimated financial compensation made by the management. In determining the fair value of the financial compensation, three scenarios of possible outcomes (the optimistic, normal and conservative) for the performance guarantee were estimated. The fair value of the financial compensation was calculated with reference to the probability-weighted average of the three scenarios of possible outcomes. As at 31 December 2019, the performance guarantee has been satisfied, therefore, the RMB1,007,000 was recognised as loss in profit or loss (Note 7).

(vi) The goodwill arising from the acquisition of Shanghai Jindun is attributable to the synergies expected to be achieved from integrating its operations into the Group's existing business. It is not be deductible for tax purpose.

37 BUSINESS COMBINATION *(cont'd)*

(a) Acquisition of Shanghai Jindun *(cont'd)*

(vii) Revenue and profit contribution

Shanghai Jindun contributed revenue of RMB345,793,000 and net profit of RMB33,995,000 to the Group for the period from completion of acquisition to 31 December 2019.

Had Shanghai Jindun been consolidated from 1 January 2019, consolidated revenue and consolidated profit of the Group for the financial year ended 31 December 2019 would have been RMB6,018,595,000 and RMB243,071,000, respectively. These amounts have been calculated using the subsidiary's results and adjusted for:

- differences in the accounting policies between the Group and the subsidiary, and

- the additional depreciation and amortisation that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had applied from 1 January 2019, together with the consequential tax effects.

37 BUSINESS COMBINATION *(cont'd)*

(b) Acquisition of Shenyang Jietong

In May 2019, Allied Best (China), acquired 60% equity interest of Shenyang Jietong, a company, which is principally engaged in the manufacturing of fire engines and a leading manufacturer of aerial lifting fire trucks in the PRC, at a cash consideration of RMB600,000,000.

Upon the completion of the acquisition of Shenyang Jietong, Shenyang Jietong became a 60%-owned subsidiary of the Company. The identifiable assets and liabilities of Shenyang Jietong were recognised and measured at fair value. The excess of the fair value of the consideration over the identifiable net assets of Shenyang Jietong at fair value was recognised as goodwill in the consolidated statement of financial position at the acquisition date.

The effects of the acquisition of Shenyang Jietong are disclosed below.

(i) Purchase consideration:

	RMB '000
Prepayment made in cash in 2018	**240,000**
Cash consideration paid in 2019	**360,000**
Present value of contingent consideration (Note (iv))	**(3,822)**
Total purchase consideration	**596,178**

37 BUSINESS COMBINATION *(cont'd)*

(b) Acquisition of Shenyang Jietong *(cont'd)*

(ii) Identifiable assets acquired and liabilities assumed of:

	May 2019 At fair value RMB '000
Property, plant and equipment	238,751
Right-of-use assets	53,700
Intangible assets	175,838
Inventories	302,855
Trade receivables	292,765
Prepayment and other receivables	74,156
Financial assets at fair value through other comprehensive income	3,563
Contract assets	69,548
Pledged bank deposits	44,741
Cash and cash equivalents	67,438
	1,323,355
Trade and other payables	(228,178)
Contract liabilities	(70,484)
Borrowings	(177,004)
Current income tax liabilities	(27)
Deferred income tax liabilities	(29,221)
Deferred income	(19,355)
	(524,269)
Total identifiable net assets	799,086
Less:	
Non-controlling interests	(319,634)
Add:	
Goodwill	116,726
Total purchase consideration	596,178

37 BUSINESS COMBINATION *(cont'd)*

(b) Acquisition of Shenyang Jietong *(cont'd)*

(iii) Effect on cash flows of the Group

	RMB '000
Cash paid in 2018 (as above)	240,000
Cash paid in 2019 (as above)	**360,000**
Less: Cash and cash equivalents in the subsidiary acquired	**(67,438)**
Cash outflow on acquisition in 2019	**292,562**

(iv) Contingent consideration

As stipulated in the equity transfer agreement in relation to the acquisition of Shenyang Jietong, there was a performance guarantee arrangement in respect of the financial performance of Shenyang Jietong and the vendors of Shenyang Jietong should make financial compensation to Allied Best (China) in the event that the performance guarantee were not satisfied. The contingent consideration, amounted to RMB3,822,000 and recognised as a financial asset at fair value through profit or loss in the consolidated financial statements of the Group upon completion of the acquisition, was the estimated financial compensation made by the management. In determining the fair value of the financial compensation, three scenarios of possible outcomes (the optimistic, normal and conservative) for the performance guarantee were estimated. The fair value of the financial compensation was calculated with reference to the probability-weighted average of the three scenarios of possible outcomes. As at 31 December 2019, the performance guarantee has been satisfied, therefore, the RMB3,882,000 was recognised as loss in profit or loss (Note 7).

(v) The goodwill arising from the acquisition of Shenyang Jietong is attributable to the synergies expected to be achieved from integrating its operations into the Group's existing business. It will not be deductible for tax purpose.

37 BUSINESS COMBINATION *(cont'd)*

(b) Acquisition of Shenyang Jietong *(cont'd)*

(vi) Revenue and profit contribution

Shenyang Jietong contributed revenue of RMB511,423,000 and net profit of RMB42,048,000 to the Group for the period from completion of the acquisition to 31 December 2019.

Had Shenyang Jietong been consolidated from 1 January 2019, consolidated revenue and consolidated profit of the Group for the financial year ended 31 December 2019 would have been RMB6,210,449,000 and RMB255,400,000, respectively. These amounts have been calculated using the subsidiary's results and adjusted for:

- differences in the accounting policies between the Group and the subsidiary, and
- the additional depreciation and amortisation that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had applied from 1 January 2019, together with the consequential tax effects.

38 COMMITMENTS

(a) Capital commitments

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

	2019 RMB'000	2018 RMB'000
Property, plant and equipment	**48,025**	63,371
Acquisitions (i)	**–**	647,260
	48,025	710,631

(i) Capital commitments of acquisitions at 31 December 2018 were the considerations committed for acquiring Shanghai Jindun, Shenyang Jietong, Tongchuang and Huijie.

(b) Operating lease commitments – as leasee

The Group leases various offices, warehouses, equipment and vehicles under non-cancellable operating leases expiring within six months to eight years. The leases have various terms, some of them have escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

From 1 January 2019, the Group has recognised right-of-use assets for these leases, except for short-term and low-value leases, see Note 16 for further information.

The future aggregate minimum lease payments under non-cancellable operation leases at 31 December 2018 were as follows:

	2018 RMB'000 (restated)
No later than 1 year	29,248
Later than 1 year and no later than 5 years	49,544
Later than 5 years	84,909
	163,701

38 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 31 December 2019 and 2018 but not recognised as receivables, were as follows:

	2019	2018
	RMB'000	RMB'000
		(restated)
No later than 1 year	**10,989**	11,929
Later than 1 year and no later than 5 years	**42,621**	44,124
Later than 5 years	**8,819**	20,647
	62,429	76,700

39 SHARE-BASED PAYMENTS

(a) Equity-settled share option scheme

The Shareholders of the Company adopted a share option scheme on 29 May 2009 (the "**2009 Share Option Scheme**") 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. It was expired on 28 May 2019 and upon its expiry, no further options shall be granted thereunder. However, the provisions of the 2009 Share Option Scheme shall remain in full force to the extent necessary to give effect to the exercise of the options granted during the life of the 2009 Share Option Scheme, such that they continue to be exercisable in accordance with their terms of issue.

A new share option scheme was adopted by the Company on 13 December 2019 (the "**New Share Option Scheme**") upon fulfillment of the conditions precedents of the New Share Option Scheme which included the passing of an ordinary resolution to approve the adoption of the New Share Option Scheme by the Shareholders of the Company at the EGM held on 11 December 2019. The purpose of the New Share Option Scheme is to enable the Company to grant options to selected full time employees (including directors) of the Group as incentives or rewards for their contribution or potential contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group.

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 New Share Option Scheme and any other schemes of the Company must not exceed 30% of the Shares in issue from time to time, the total number of Shares in respect of which options may be granted under the New Share Option Scheme when aggregated with any Shares subject to any other schemes must not exceed 10% of the Shares as at the date of adoption of the New Share Option Scheme, i.e. 1,561,436,648 Shares, without prior approval of the Shareholders of the Company. 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 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 Shares in issue and having an aggregate value in excess of HKD5,000,000 must be approved by the Shareholders of the Company.

39 SHARE-BASED PAYMENTS *(cont'd)*

(a) Equity-settled share option scheme *(cont'd)*

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 during the period as determined by the 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 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 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 Shares on the date of the offer, when applicable.

Share options do not confer rights on the holder to dividends or to vote at shareholders' meetings.

The total number of Shares available for issue under the New Share Option Scheme is 1,561,436,648 shares, representing 9.8% of the Company's issued share capital as at the date of this report.

Details of the movement of share options granted under the 2009 Share Option Scheme during the year are as follows:

	2019		2018	
	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

No share options have been granted under the New Share Option Scheme since it has been adopted.

39 SHARE-BASED PAYMENTS *(cont'd)*

(a) Equity-settled share option scheme *(cont'd)*

As at 31 December 2019, 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 2009 Share Option Scheme.

	Number of Shares issuable under the options					
	Outstanding at 1 January 2019	Granted during the year	Exercised during the year	Outstanding at 31 December 2019	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	0.025%
Dr. Loke Yu	4,000,000	–	–	4,000,000	0.42	0.025%
Mr. Heng Ja Wei	4,000,000	–	–	4,000,000	0.42	0.025%
Mr. Ho Man	2,000,000	–	–	2,000,000	0.42	0.013%
	14,000,000	–	–	14,000,000		0.088%
Other employees	101,625,000	–	–	101,625,000	0.42	0.638%
	115,625,000	–	–	115,625,000		0.726%

The shares options outstanding at 31 December 2019 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.

For the years ended 31 December 2019 and 2018, no employee's share-based payment were charged to the Group's profit.

Save as disclosed, for the year ended 31 December 2019, no share options were granted, exercised, cancelled or lapsed.

40 EVENTS OCCURRING AFTER THE YEAR END

The global outbreak of the novel coronavirus epidemic poses big threats to the world economy. It is expected that the Group's business in the coming year would be affected to certain extent. Its purchases, production and delivery schedules are delayed by the supply chain disruption, international shipping restrictions and travel bans and compulsory quarantine measures that limit the flow of people. Tensions on the sales order books are also expected because of postponement in many scheduled tenders.

The financial effect of the impact cannot be reliably estimated as of the date of the consolidated financial statements and depends highly on the development of the epidemic and the effects of the economic aid packages, if any, to be put forward by governments around the world.

The Group will closely monitor and evaluate the impact the epidemic has on its operations and financial positions.

41 RELATED-PARTY TRANSACTIONS

The Company's immediate holding company is Sharp Vision Holdings Limited ("**Sharp Vision**"), a company incorporated in Hong Kong. The ultimate holding company is CIMC, a company established 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 2019 and 2018 and balances arising from related party transactions as at 31 December 2019 and 2018.

41 RELATED-PARTY TRANSACTIONS *(cont'd)*

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

Name of entities	**Relationship with the Group**
CIMC	Ultimate holding company
China International Marine Containers (Hong Kong) Co., Ltd.	Fellow subsidiary
CIMC Top Gear B.V.	A substantial shareholder of the Company
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
CIMC Tianda Holding (Shenzhen) Co., Ltd.	Fellow subsidiary
Nantong CIMC Energy Equipment Co., Ltd	Fellow subsidiary
Yangzhou Taili special equipment Co., Ltd.	Fellow subsidiary

41 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**
Shenzhen Southern CIMC Eastern Logistics Equipment Manufacture Co., Ltd.	Fellow subsidiary
CIMC Glasswork Ltd.	Fellow subsidiary
CIMC Enric Holdings Limited	Fellow subsidiary
CIMC Modular Building Systems Holding Co. Ltd.	Fellow subsidiary
C&C Trucks Co., Ltd.	Fellow subsidiary
CIMC Intermodal Development Co., Ltd.	Fellow subsidiary
Shenzhen CIMC Shared Logistics Service Co., Ltd.	Fellow subsidiary
CIMC Finance	Associate of the Group
Shenzhen CIMC Tongchuang Supply Chain Co., Ltd.	Associate of the Group
Beijing Bowei Airport support Co., Ltd.	Minority shareholder of a subsidiary
Fengqiang Holdings Limited ("**Fengqiang**")	A substantial shareholder of the Company
China Merchants Shekou Industrial Zone Co., Ltd.	Related company under the common control of the same party with a shareholder with significant influence in the ultimate holding company

Other than disclosed elsewhere, the Group had the following material related party transactions and balances.

41 RELATED-PARTY TRANSACTIONS *(cont'd)*

(b) Transactions with related parties

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
		(restated)
(i) Sales of goods and/or services to		
– Fellow subsidiaries	**57,724**	23,922
– A minority shareholder of a subsidiary	**7,659**	7
– A related company under the common control of the same party with a shareholder with significant influence in the ultimate holding company	**51**	–
– Ultimate holding company	**148**	–
– An associate of the Group	**–**	420
	65,582	24,349
(ii) Purchase of goods and/or services		
– Fellow subsidiaries	**19,722**	3,470
– An associate of the Group	**147**	15
– Ultimate holding company	**744**	–
	20,613	3,485
(iii) Interest expense		
– Ultimate holding company	**2,264**	2,606
– An associate of the Group	**9,221**	7,105
– Immediate holding company	**6,785**	4,589
– A substantial shareholder of the Company	**671**	464
	18,941	14,764

41 RELATED-PARTY TRANSACTIONS *(cont'd)*

(b) Transactions with related parties *(cont'd)*

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
		(restated)
(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**	1,728
– Fellow subsidiaries	**–**	2,554
	1,728	4,282
(v) Lease income		
– Fellow subsidiaries	**963**	931
(vi) Purchase of Ziegler from CIMC accounted for business combinations under common control		
– A substantial shareholder of the Company	**245,346**	–

41 RELATED-PARTY TRANSACTIONS *(cont'd)*

(b) Transactions with related parties *(cont'd)*

		Year ended 31 December	
		2019	2018
		RMB'000	RMB'000
(vii)	Interest income		
	– An associate of the Group	**290**	86
(viii)	Key management compensation*		
	– Salaries, wages and bonuses	**12,348**	9,859
	– Pension, housing fund, medical insurance and other social insurances	**329**	327
		12,677	10,186
(ix)	Borrowings and advances from related parties		
	Proceeds from		
	– An associate of the Group	**745,000**	525,000
	– Fellow subsidiaries	**–**	9,082
		745,000	534,082
	Repayment to		
	– An associate of the Group	**(817,000)**	(255,000)
	– Fellow subsidiaries	**(2,938)**	(6,091)
		(819,938)	(261,091)

* Key management include senior management and directors.

The related party transactions as set out under (i) to (ix) 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.

41 RELATED-PARTY TRANSACTIONS *(cont'd)*

(c) Balances with related parties

Amounts due from related parties:

	2019 RMB'000	2018 RMB'000 (restated)
(i) Trade and other receivables:		
– Ultimate holding company	**15,981**	–
– A related company under the common control of the same party with a shareholder with significant influence in the ultimate holding company	**1,007**	2,685
– A substantial shareholder	**187**	2,382
– Associates of the Group	**–**	1,806
– Fellow subsidiaries	**9,990**	22,503
	27,165	29,376

Of the amounts due from related parties at 31 December 2019, RMB10,875,000 was trading in nature and aged within 1 year from the invoice date. The remaining balances were non-trade nature.

Amounts due from related parties were unsecured, interest-free, and repayable on demand.

41 RELATED-PARTY TRANSACTIONS *(cont'd)*

(c) Balances with related parties *(cont'd)*

Amounts due to related parties:

	2019 RMB'000	2018 RMB'000 (restated)
(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
– An associate of the Group	35,316	1,656
– Fellow subsidiaries	248,729	11,728
– Ultimate holding company	65,804	65,642
	349,849	79,247

The amount due to the ultimate holding company is unsecured, interest bearing at 4.842% p.a. and RMB5,058,000 of the balance at 31 December 2019 is due for repayment on 30 September 2020, and RMB60,746,000 is due for repayment on 30 September 2022. Apart from that, the amounts due to related parties are unsecured, interest-free and repayable on demand.

42 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(a) Statement of financial position of the Company

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
ASSETS		
Non-current assets		
Investment in subsidiaries	**5,562,707**	5,404,248
	5,562,707	5,404,248
Current assets		
Prepayments and other receivables	**45**	43
Amount due from subsidiaries	**138,087**	8,892
Cash and cash equivalents	**16,621**	40,106
Dividend receivable	**211,471**	211,471
	366,224	260,512
Total assets	**5,928,931**	5,664,760
EQUITY		
Equity attributable to owners of the Company		
Share capital (Note 29)	**136,512**	123,522
Reserves	**5,583,771**	5,451,765
Total equity	**5,720,283**	5,575,287

42 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	
	2019	2018
	RMB'000	RMB'000
LIABILITIES		
Current liabilities		
Trade and other payables	**1,091**	5,146
Borrowings	**134,235**	–
	135,326	5,146
Non-Current liabilities		
Convertible bonds	**73,322**	84,327
Total liabilities	**208,648**	89,473
Total equity and liabilities	**5,928,931**	5,664,760

The statement of financial position of the Company was approved by the Board of Directors on 25 March 2020 and was signed on its behalf:

Li Yin Hui	**Zheng Zu Hua**
Director	*Director*

42 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
Balance at 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**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**(10,871)**	**(10,871)**
Issuance of ordinary shares pursuant to acquisition of Shanghai Jindun	**132,570**	**–**	**–**	**–**	**–**	**–**	**132,570**
Issuance of shares upon conversion of convertible bonds	**290,660**	**–**	**–**	**(280,353)**	**–**	**–**	**10,307**
Balance at 31 December 2019	**4,578,669**	**170,607**	**17,068**	**1,089,211**	**(3,342)**	**(268,442)**	**5,583,771**

43 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

The remuneration of the directors of the Company is set out below:

	2019					2018				
	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	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-executive directors										
Dr. Li Yin Hui	–	–	–	–	–	–	–	–	–	–
Mr. Yu Yu Qun	–	–	–	–	–	–	–	–	–	–
Mr. Tao Kuan (Note i)	–	–	–	–	–	–	–	–	–	–
Mr. Zeng Han (Note i)	–	–	–	–	–	–	–	–	–	–
Mr. Robert Johnson (Note ii)	212	–	–	–	212	203	–	–	–	203
	212	–	–	–	212	203	–	–	–	203
Executive directors										
Mr. Jiang Xiong	–	1,324	16	–	1,340	–	1,266	15	–	1,281
Mr. Zheng Zu Hua	212	2,836	75	–	3,123	203	2,401	59	–	2,663
Mr. Luan You Jun (Note ii)	212	1,078	10	–	1,300	203	718	47	–	968
	424	5,238	101	–	5,763	406	4,385	121	–	4,912
Independent non-executive directors										
Dr. Loke Yu	212	–	–	–	212	203	–	–	–	203
Mr. Heng Ja Wei	212	–	–	–	212	203	–	–	–	203
Mr. Ho Man	212	–	–	–	212	203	–	–	–	203
	636	–	–	–	636	609	–	–	–	609
	1,272	5,238	101	–	6,611	1,218	4,385	121	–	5,724

Note i: Appointed on 30 December 2019

Note ii: Resigned on 30 December 2019

43 BENEFITS AND INTERESTS OF DIRECTORS *(cont'd)*

(a) Directors' emoluments *(cont'd)*

The emoluments paid or payable to the directors prior to the Pteris Acquisition were not included in profit or loss of the Group for the year ended 31 December 2018.

For the year ended 31 December 2019, 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. Moreover, no directors or the Chief Executive waived any emoluments.

(b) Directors' termination benefits

No payment was made to directors as compensation for the early termination of the appointment during years ended 31 December 2019 and 2018.

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

No payment was made to the former employers of directors for making available the services of them as a director during the years ended 31 December 2019 and 2018.

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

There were 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 2019 and 2018.

(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 respectively from Sharp Vision and Fengqiang, respectively. Fengqiang is wholly-owned by TGM, a company established in the PRC which is in turn owned by the employees of Pteris and its subsidiaries. Mr. Zheng Zu Hua (an executive director of the Company) and Mr. Luan You Jun (an executive director of the Company until resignation on 30 December 2019) hold approximately 7.2% and 4.5% of the equity interest in TGM, respectively, at the date the sales and purchase agreement signed. The Pteris Acquisition was completed in 2018.

Save as disclosed, 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.

	For the year ended 31 December				
	2015 RMB'000	2016 RMB'000	2017 RMB'000	2018 RMB'000 (restated)	**2019 RMB'000**
RESULTS					
Revenue	662,399	471,252	1,662,685	4,367,631	**5,957,661**
Profit before income tax	39,928	24,872	138,177	228,261	**315,401**
Income tax expense	(9,484)	(7,586)	(18,496)	(33,117)	**(71,339)**
Profit for the year	30,444	17,286	119,681	195,144	**244,062**
Attributable to:					
Owners of the Company	18,611	17,286	86,118	177,713	**215,736**
Non-controlling interests	11,833	–	33,563	17,431	**28,326**
	30,444	17,286	119,681	195,144	**244,062**
Earnings per share (RMB cents)					
Basic	0.54	0.42	1.33	1.49	**1.46**
Diluted	0.54	0.42	0.70	1.08	**1.18**

	At 31 December				
	2015 RMB'000	2016 RMB'000	2017 RMB'000	2018 RMB'000	**2019 RMB'000**
ASSETS AND LIABILITIES					
Total assets	1,317,226	1,310,659	3,116,925	6,984,243	**9,692,327**
Total liabilities	(310,639)	(257,660)	(1,651,156)	(3,977,536)	**(6,173,888)**
	1,006,587	1,052,999	1,465,769	3,006,707	**3,518,439**
Equity attributable to owners of the Company	1,006,587	1,052,999	1,224,364	2,959,261	**3,111,451**
Non-controlling interests	–	–	241,405	47,446	**406,988**
Total equity	1,006,587	1,052,999	1,465,769	3,006,707	**3,518,439**