15 March 2018

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

Dear Sirs,

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

INTRODUCTION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

PRINCIPAL FACTORS CONSIDERED

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

A. Background and information of the CFE Group

Principal business of the CFE Group

CFE is a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange. The CFE Group is principally engaged in the production and sale of fire engines, and production and sale of fire prevention and fighting equipment. As at the Latest Practicable Date, Top Gear (a wholly-owned subsidiary of CIMC) is the controlling shareholder of CFE which holds approximately 30.0% of the total issued share capital of CFE.

Financial performance of the CFE Group

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

Consolidated statement of profit and loss

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

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

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

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

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

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

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

Consolidated statement of financial position

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

	As at 30 September 2017	As at 30 June 2017	As at 31 December 2016
	RMB'000	*RMB'000*	*RMB'000*
	(Audited)	*(Unaudited)*	*(Audited)*
Non-current assets			
Property, plant and equipment	177,079	179,765	183,354
Prepaid land lease payments	31,959	32,158	32,555
Goodwill	7,630	7,630	7,630
Investments in associates	568,182	551,923	518,993
	784,850	771,476	742,532
Current assets			
Inventories	146,111	112,174	138,232
Trade and bills receivables	247,167	274,933	207,533
Prepayments, deposits and other receivables	92,474	91,127	83,571
Amount due from an associate	–	–	2,151
Prepaid land lease payments	794	794	794
Other current assets	8,500	–	–
Pledged bank deposits	6,675	7,396	3,270
Bank and cash balances	65,497	86,478	132,576
	567,218	572,902	568,127
Current liabilities			
Trade and other payables	224,199	232,764	226,265
Bank borrowings	–	–	10,000
Provision	16,224	16,224	16,224
Current tax liabilities	500	2,179	5,171
	240,923	251,167	257,660
Net current assets	326,295	321,735	310,467
NET ASSETS	1,111,145	1,093,211	1,052,999
Capital and reserve			
Share capital	39,977	39,977	39,977
Reserves	1,071,168	1,053,234	1,013,022
TOTAL EQUITY	1,111,145	1,093,211	1,052,999

Recent development and prospect of the CFE Group

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

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

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

B. Background and information of the Pteris Group

Background of the Vendors' interests in Pteris

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

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

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

Principal business of the Pteris Group

– *Pteris*

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

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

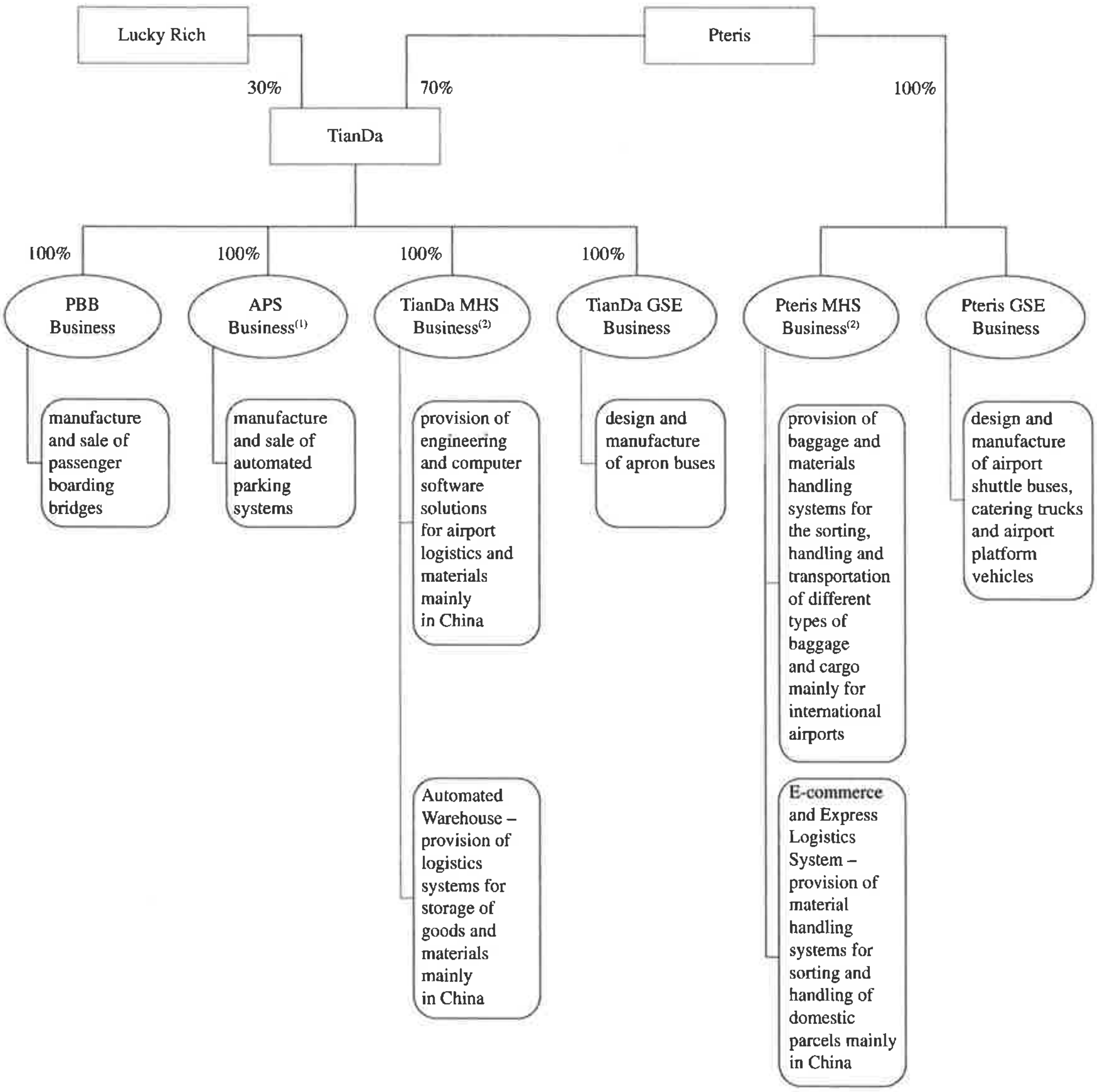
As at the Latest Practicable Date, Pteris is directly owned by Sharp Vision and Fengqiang as to approximately 78.15% and 21.26%, respectively. The remaining 0.59% was held by approximately 450 individuals and companies who did not accept the Pteris General Offer upon closing in September 2016.

– *TianDa*

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

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

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



Notes:

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

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

PBB Business

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

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

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

MHS Business

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

(i) Pteris MHS Business

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

(ii) TianDa MHS Business

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

GSE Business

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

(i) Pteris GSE Business

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

(ii) TianDa GSE Business

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

APS Business

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

Financial performance of the Pteris Group

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

Pteris Group

Consolidated statement of profit or loss

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

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

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TianDa Group

Consolidated statement of profit or loss

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

Segmental results

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

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

Notes:

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

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

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

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

Pteris (excluding TianDa Group)

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

Notes:

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

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

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

TianDa Group

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

Notes:

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

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

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

PBB Business

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

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

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

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

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

MHS Business

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

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

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

The MHS Business of the Pteris Group recorded a loss of approximately SGD4.67 million, a profit of approximately SGD0.60 million, a loss of approximately SGD3.42 million and a loss of approximately SGD3.82 million for 2014FY, 2015FY, 2016FY and 2017Q3, respectively. We understand from the management of the Pteris Group that the loss of approximately SGD4.67 million for the MHS Business in 2014FY was primarily due to high cost of sales and general and administrative expenses. For FY2015, the MHS Business recorded a profit of approximately SGD0.60 million of which approximately SGD0.22 million was derived from the TianDa MHS Business and approximately SGD0.38 million was derived from the Pteris MHS Business.

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

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

GSE Business

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

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

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

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

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

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

C. Information on the relevant parties to the Proposed Acquisitions

Wang Sing

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

CFE

CFE is a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange. The CFE Group is principally engaged in the production and sale of fire engines, and production and sale of fire prevention and fighting equipment.

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

Sharp Vision

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

Fengqiang

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

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

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

Lucky Rich

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

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

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

D. Principal terms of the Pteris Sale and Purchase Agreement

Date: 4 December 2017

Parties:

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

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

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

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

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

The consideration

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

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

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

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

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

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

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

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

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

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

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

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

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

E. Principal terms of the TianDa Equity Transfer Agreement

Date: 4 December 2017

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

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

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

The consideration

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

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

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

F. Basis of consideration for the Proposed Acquisitions

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

The track record and business prospects of the Pteris Group

As set out in the Letter from the Board, the Pteris Group (including the TianDa Group) is one of the world's largest suppliers of passenger boarding bridges and a leading integrated solutions provider of airport facility equipment in the PRC including airport logistic systems and airport apron buses. It is expected that the market demand for the products and services of the Pteris Group can increase significantly in the next few years in light of the fast growing civil aviation transportation industry, the expected large number of new civil airports in the PRC and overseas, and the promising prospects of the materials handling systems business.

1. Overview of the macro economy of China

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

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

2. Overview of the global aviation industry

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

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

3. Overview of the China's civil aviation industry

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

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

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

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

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

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

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

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

As set out in the Frost & Sullivan Report, the Belt and Road Initiative is a development strategy proposed by China's central government that focuses on connectivity and cooperation between countries in the Belt and Road regions, including many different countries in Europe and Asia, including infrastructure investment and support. Countries and regions in the Silk Road Economic Belt had a population of around 4.4 billion and accounted for around 30% of worldwide trade value in 2016. The Belt and Road Initiative is expected to bring about closer ties between China and countries along the routes, fostering economic cooperation and development. Along with the further implementation of the "Belt and Road Initiative", more business opportunities for China's airport equipment manufacturers are estimated to be brought.

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

Pteris Group

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

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

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

TianDa Group

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

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

4. Overview of the global PBB market

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

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

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

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

5. *Overview of China's PBB market*

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

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

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

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

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

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

6.1 New product developments

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

(i) Visual Intelligent Aircraft Berth Guidance System

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

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

(ii) Pure Automatic Boarding Bridge

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

6.2 Expansion into the U.S. market

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

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

6.3 Expansion into the European market

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

7. Overview of the global MHS market

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

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

8. Overview of the China's MHS market

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

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

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

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

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

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

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

(i) AGV (Automated Guided Vehicles)

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

(ii) KTLS-II High-speed Circular Sorter

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

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

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

10. Overview of the global GSE market

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

11. Overview of the China's GSE market

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

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

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

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

(i) Electric Bi-directional Shuttle Car

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

(ii) Electric Airplane Tractor

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

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

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

As set out in the "Information about the Pteris Group" in Appendix I to the Circular, in respect of market cooperation, the Pteris Group is actively leveraging on the brand advantage of CIMC. We understand from CFE that the Pteris Group has already reached strategic cooperation with a number of well-known state-owned enterprises, such as China Construction Steel Structure Corp. Ltd. and China Resources Urban Transport Infrastructure Investment Co Ltd., jointly to expand into, among other things, construction projects of mechanical three-dimensional garages in cities at prefecture-level.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Source: Bloomberg

Notes:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Proposed Issuance of Consideration Shares

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

1. Issue price of the Consideration Shares

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

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

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

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

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

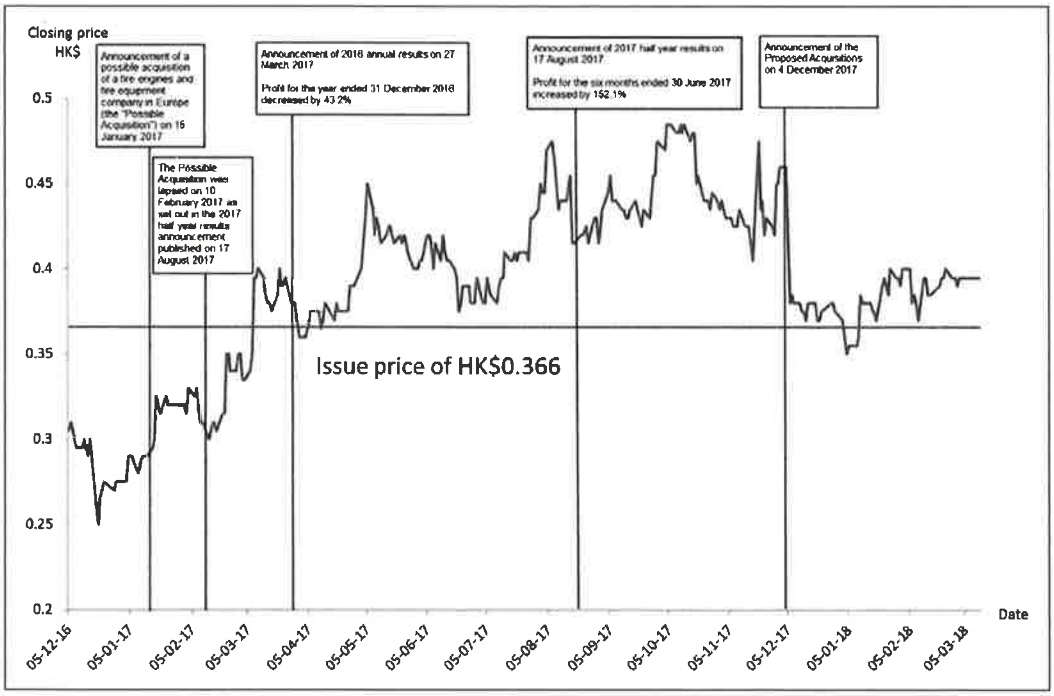
(v) a discount of approximately 16.8% to HK$0.44, the average closing price of the CFE Shares on the Stock Exchange for the last 60 trading days prior to the date of the Sale and Purchase Agreements (the "**60-Day Discount**");

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

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

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

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

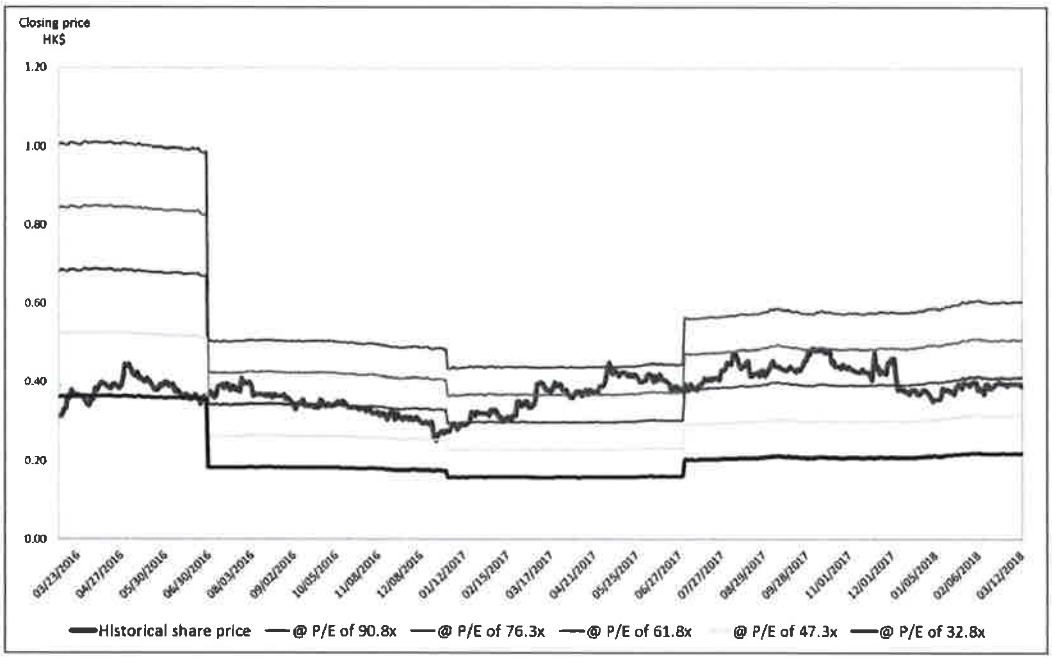


Source: Bloomberg

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

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

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



Source: Bloomberg

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

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

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

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

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

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

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

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

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

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

Source: Bloomberg

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

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

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

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

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

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

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

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

Proposed Issuance of Convertible Bonds

1. *Principal terms of the Convertible Bonds*

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

Issuer	:	CFE
Maturity Date	:	30th anniversary of the issue date
Interest	:	The Convertible Bonds bear interest from and including the issue date at the rate of 0.1% per annum, payable annually in arrears on each anniversary from the issue date until conversion or redemption.
Status	:	The Convertible Bonds constitute direct, unsubordinated, unconditional and unsecured obligations of CFE and shall at all times rank *pari passu* and without any preference or priority among themselves
Transferability	:	All Convertible Bonds are transferable, except where any Convertible Bonds is intended to be transferred to a connected person of CFE, such transfer shall be subject to the consent of CFE and compliance with the requirements of the Listing Rules.
Conversion Period	:	Subject to certain conditions, each Bondholder has the right to convert all or part of the Convertible Bonds held by it (if in part, the principal amount of Bonds to be converted shall be in the minimum amount of RMB10,000,000 or the whole outstanding principal amount of the Bonds) into CFE Shares credited as fully paid at any time during the period from the issue date to the maturity date.
Conversion Price	:	The initial Conversion Price is HK$0.366, which is subject to adjustment upon any consolidation, subdivision or reclassification of the CFE Shares. The number of CFE Shares to be issued on conversion of a Convertible Bond will be determined by dividing the HK$ equivalent of the RMB principal amount of the Convertible Bond to be converted (at the agreed fixed exchange rate of HK$1:RMB0.85) by the Conversion Price in effect on the conversion date.
Restriction on Conversion Rights	:	No conversion shall take place if (i) immediately after such conversion, the public float of CFE Shares will fall below the minimum public float of stipulated under the Listing Rules or as required by the Stock Exchange; or (ii) (unless otherwise agreed in writing by CFE) if a mandatory offer obligation under Rule 26.1 of the Takeovers Code would be triggered by such conversion.

Redemption at Maturity	:	Unless previously redeemed, converted, purchased or cancelled in accordance with the terms and conditions of the Convertible Bonds, CFE will redeem each Bond at the HK$ dollar equivalent of the RMB principal amount (at the agreed fixed exchange rate of HK$1: RMB0.85), at the maturity date.
Listing	:	No application will be made for the listing of the Convertible Bonds on the Stock Exchange or any other stock exchange.

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

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

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

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

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

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

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

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

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

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

3. Proposed Conversion

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

G. Reasons for the Proposed Acquisitions

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

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

H. Subscription

The Subscription Agreement

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

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

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

Subscription Price

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

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

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

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

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

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

Conditions

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

(i) the Pteris Completion having taken place;

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

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

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

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

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

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

Use of proceeds

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

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

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

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

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

Reasons for and benefits of the Subscription

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

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

We understand that the Enlarged Group will have a number of development and expansion plans after completion of the Proposed Acquisitions, including, among other things, the establishment of a production base in the U.S. for the PBB Business aiming at reestablishing a significant market position in the region, enhancement of the Enlarged Group's production capability, and new product developments. Based on the proposed use of proceeds, we understand and agree that the Subscription will provide funding for the above development work which should benefit the long-term development of the Enlarged Group. Please refer to the proposed use of proceeds from the Subscription as described below in this letter and in the Letter from the Board as set out in the Circular.

Issue price of the Subscription Shares

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

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

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

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

Issue of shares under general mandate

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

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Issue of shares under general mandate

	Date of announcement	Stock code	Company name	Issue price HK$	Premium/(discount) of issue price over/(to) the share price on the announcement date/last trading day	for the last 5 trading days prior to the date of agreement	for the last 10 trading days prior to the date of agreement
35.	19-Jan-18	1255	S.Culture International Holdings Limited	3.980	-0.5%	-0.9%	1.8%
36.	19-Jan-18	2607	Shanghai Pharmaceuticals Holding Co., Ltd2	20.430	-1.8%	-5.5%	-4.2%
37.	18-Jan-18	1030	Future Land Development Holdings Limited	5.860	-2.7%	-11.5%	-8.4%
38.	17-Jan-18	1616	Starrise Media Holdings Limited	0.740	0.0%	0.5%	-1.3%
39.	17-Jan-18	1194	Munsun Capital Group Limited	0.057	-5.0%	2.2%	-1.7%
40.	17-Jan-18	2007	Country Garden Holdings Company Limited	17.130	2.0%	-5.1%	-0.8%
41.	16-Jan-18	2012	Sunshine Oilsands Ltd.	0.272	-15.0%	-13.9%	-13.0%
42.	16-Jan-18	1378	China Hongqiao Group Limited	9.600	-3.9%	-6.7%	-1.8%
43.	15-Jan-18	817	China Jinmao Holdings Group Limited	3.700	-2.1%	-7.7%	-4.4%
44.	12-Jan-18	1317	China Maple Leaf Educational Systems Limited	9.100	-2.9%	-9.4%	-4.7%
45.	11-Jan-18	1728	China ZhengTong Auto Services Holdings Limited	7.700	-12.0%	-7.2%	-5.4%
46.	4-Jan-18	2371	China Chuanglian Education Financial Group Limited	0.092	-11.5%	-13.9%	-18.7%
47.	28-Dec-17	539	Victory City International Holdings Limited	0.190	-6.4%	-5.7%	-5.0%
48.	22-Dec-17	1673	Huazhang Technology Holding Limited	3.600	-4.8%	-5.0%	-4.2%
49.	22-Dec-17	479	CIL Holdings Limited	0.100	-6.5%	-2.9%	0.5%
50.	20-Dec-17	1778	Colour Life Services Group Co., Limited	5.000	-6.0%	-1.3%	1.8%
51.	19-Dec-17	1155	Centron Telecom International Holding Limited	0.460	-16.4%	-16.7%	-17.0%
52.	19-Dec-17	1831	ShiFang Holding Limited	0.145	-19.9%	-18.8%	-20.3%
53.	19-Dec-17	1478	Q Technology (Group) Company Limited	10.800	-3.7%	-8.8%	-15.8%
54.	18-Dec-17	2768	Jiayuan International Group Limited	6.110	-7.6%	-6.6%	-6.6%
55.	18-Dec-17	2608	Sunshine 100 China Holdings Ltd	3.100	-15.8%	-10.4%	-9.8%
56.	17-Dec-17	860	O Luxe Holdings Limited	1.500	-6.3%	-4.0%	-2.8%
57.	15-Dec-17	1728	China ZhengTong Auto Services Holdings Limited	7.600	-5.0%	-4.5%	-3.7%
58.	15-Dec-17	92	Champion Technology Holdings Limited	0.860	-11.3%	-18.1%	-20.1%
59.	15-Dec-17	508	Dingyi Group Investment Limited	0.440	-20.0%	-9.7%	-9.4%
60.	15-Dec-17	8135	ZMFY Automobile Glass Services Limited	0.380	-6.2%	-6.2%	-9.1%
61.	15-Dec-17	1918	Sunac China Holdings Limited	31.100	-1.4%	-8.7%	-8.6%
62.	14-Dec-17	2309	Birmingham Sports Holdings Limited	0.140	-15.7%	-17.3%	-19.8%
63.	14-Dec-17	2012	Sunshine Oilsands Ltd.	0.264	-13.4%	-18.0%	-20.6%
64.	13-Dec-17	8300	Royal Catering Group Holdings Company Limited	0.105	4.0%	1.9%	-4.2%
65.	12-Dec-17	766	Sino Prosper (Group) Holdings Limited	0.105	-19.2%	-17.3%	-18.9%
66.	12-Dec-17	356	DT Capital Limited	0.094	-2.1%	-2.9%	-2.7%
67.	11-Dec-17	572	Future World Financial Holdings Limited	0.145	-17.6%	-10.0%	-15.3%
				Max	**7.1%**	**19.1%**	**12.1%**
				Min	**-20.3%**	**-19.4%**	**-46.4%**
				Median	**-8.2%**	**-8.7%**	**-8.6%**
				Average	**-8.8%**	**-8.4%**	**-8.6%**

Issue of shares under specific mandate

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

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

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

Note:

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

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

Other fund raising alternatives

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

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

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

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

I. Financial effect of the Proposed Acquisitions and the Subscription

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

Effects on earnings

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

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

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

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

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

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

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

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

Effect on net asset value

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

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

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

J. Effect on the shareholding structure of CFE

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

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

Notes:

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

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

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

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

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

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

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

	As at the Latest Practicable Date		Immediately after the Pteris Completion and TianDa Completion (assuming (i) none of the Convertible Bonds has been converted; and (ii) none of the CFE Share Options has been exercised)		Immediately after the Pteris Completion, TianDa Completion, the Proposed Conversion and Subscription Completion (assuming (i) none of the Convertible Bonds (except for the Proposed Conversion) has been converted; and (ii) none of the CFE Share Options has been exercised)		Immediately after the Pteris Completion and TianDa Completion (assuming (i) none of the Convertible Bonds has been converted; and (ii) all the CFE Share Options have been fully exercised)		Immediately after the Pteris Completion, TianDa Completion, the Proposed Conversion and Subscription Completion (assuming (i) none of the Convertible Bonds (except for the Proposed Conversion) has been converted; and (ii) all the CFE Share Options have been fully exercised)		Immediately after the Pteris Completion and TianDa Completion (assuming (i) all the Convertible Bonds have been fully converted; and (ii) none of the CFE Share Options has been exercised)		Immediately after the Pteris Completion, TianDa Completion, the Proposed Conversion and Subscription Completion (assuming (i) all the Convertible Bonds have been fully converted; and (ii) none of the CFE Share Options has been exercised)		Immediately after the Pteris Completion and TianDa Completion (assuming (i) all the Convertible Bonds have been fully converted; and (ii) all the CFE Share Options have been fully exercised)		Immediately after the Pteris Completion, TianDa Completion, the Proposed Conversion and Subscription Completion (assuming (i) all the Convertible Bonds have been fully converted; and (ii) all the CFE Share Options have been fully exercised)	
	Number of CFE Shares	%	*Number of CFE Shares*	%	*Number of CFE Shares*	%	*Number of CFE Shares*	%	*Number of CFE Shares*	%	*Number of CFE Shares*	%	*Number of CFE Shares*	%	*Number of CFE Shares*	%	*Number of CFE Shares*	%
Top Gear	1,223,571,430	30.0%	1,223,571,430	10.6%	1,223,571,430	8.9%	1,223,571,430	10.5%	1,223,571,430	8.8%	1,223,571,430	6.7%	1,223,571,430	6.5%	1,223,571,430	6.7%	1,223,571,430	6.4%
Sharp Vision	-	-	4,664,472,279	40.4%	6,164,472,279	44.9%	4,664,472,279	40.0%	6,164,472,279	44.5%	9,618,962,597	52.6%	9,618,962,597	50.8%	9,618,962,597	52.3%	9,618,962,597	50.5%
Subscriber	-	-	-	-	673,225,000	4.9%	-	-	673,225,000	4.9%	-	-	673,225,000	3.6%	-	-	673,225,000	3.5%
Jiang Xiong	981,600,000	24.1%	981,600,000	8.5%	981,600,000	7.2%	985,600,000	8.4%	985,600,000	7.1%	981,600,000	5.4%	981,600,000	5.2%	985,600,000	5.4%	985,600,000	5.2%
Liu Xiaolin and his controlled corporations																		
Genius Earn Limited (Note 1)	129,000,000	3.2%	129,000,000	1.1%	129,000,000	0.9%	129,000,000	1.1%	129,000,000	0.9%	129,000,000	0.7%	129,000,000	0.7%	129,000,000	0.7%	129,000,000	0.7%
Luck Rich (or its nominees) (Note 1)	-	-	1,014,679,470	8.8%	1,014,679,470	7.4%	1,014,679,470	8.7%	1,014,679,470	7.3%	1,962,563,770	10.7%	1,962,563,770	10.4%	1,962,563,770	10.7%	1,962,563,770	10.3%
Directors of the CFE Group (other than Jiangxiong)	-	-	-	-	-	-	65,625,000	0.6%	65,625,000	0.5%	-	-	-	-	65,625,000	0.4%	65,625,000	0.3%
Fengqiang (Note 2)	-	-	1,790,956,291	15.5%	1,790,956,291	13.1%	1,790,956,291	15.4%	1,790,956,291	12.9%	2,616,751,693	14.3%	2,616,751,693	13.81%	2,616,751,693	14.2%	2,616,751,693	13.7%
Other public CFE Shareholders	1,744,400,000	42.8%	1,744,400,000	15.1%	1,744,400,000	12.7%	1,790,400,000	15.3%	1,790,400,000	12.9%	1,744,400,000	9.5%	1,744,400,000	9.2%	1,790,400,000	9.7%	1,790,400,000	9.4%
Total	4,078,571,430	100.0%	11,548,679,470	100.0%	13,721,904,470	100.0%	11,664,304,470	100.0%	13,837,529,470	100.0%	18,276,849,490	100.0%	18,950,074,490	100.0%	18,392,474,490	100.0%	19,065,699,490	100.0%

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

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

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

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

K. Special deal

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

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

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

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

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

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

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

L. Whitewash Waiver

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

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

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

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

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

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

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

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

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

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

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

RECOMMENDATION

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

Yours faithfully,
For and on behalf of
YUNFENG Financial Markets Limited

John Maguire
Senior Managing Director

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