THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in CIMC-TianDa Holdings Company Limited (the "**Company**"), you should at once hand this circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 445)

MAJOR AND CONNECTED TRANSACTIONS IN RELATION TO (1) CAPITAL INCREASE OF CIMC FINANCE COMPANY LTD; (2) ACQUISITION OF 10% OF THE EQUITY INTEREST IN SHENZHEN CIMC HUIJIE SUPPLY CHAIN CO., LTD; AND (3) ACQUISITION OF 5% OF THE EQUITY INTEREST IN SHENZHEN CIMC TONGCHUANG SUPPLY CHAIN CO., LTD. AND NOTICE OF EXTRAORDINARY GENERAL MEETING

Independent Financial Adviser

中國農信財務顧問有限公司
China AF Corporate Finance Limited

A letter from the Board is set out on page 5 of this circular. A letter from the Independent Board Committee is set out on page 23 of this circular. A letter from Independent Financial Adviser, containing its advice and recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages 25 to 53 of this circular.

A notice convening the EGM of the Company to be held at Falcon Room II, Basement, Gloucester Luk Kwok Hong Kong, 72 Gloucester Road, Wanchai, Hong Kong on 6 November 2018 (Tuesday) at 3:00 p.m. is set out on pages EGM-1 to EGM-3 of this circular.

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

16 October 2018

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"Allied Best (China)"	Allied Best (China) Fire Safety Appliances Manufacturing Co., Ltd (萃聯(中國)消防設備製造有限公司), a company established in the PRC with limited liability and an indirect wholly owned subsidiary of the Company;
"Board"	the board of Directors;
"CFE"	China Fire Safety Enterprise Group Limited, the Company immediately before the completion of the acquisition of 99.41% equity interests of Pteris on 23 April 2018;
"CIMC"	China International Marine Containers (Group) Co., Ltd., a joint stock company incorporated in the PRC with limited liability, the shares of which are listed on the Stock Exchange (Stock code: 2039);
"CIMC Finance"	CIMC Finance Company Ltd., a company established in the PRC with limited liability and a direct wholly owned subsidiary of CIMC as at the date of the Latest Practicable Date;
"CIMC Finance Capital Increase"	the capital contributions by Southern CIMC Container, CIMC-Tianda Airport Support, Enric Jingmen and CIMC Modern Logistics to the increases in the registered capital and capital reserves of CIMC Finance pursuant to the CIMC Finance Capital Increase Agreement;
"CIMC Finance Capital Increase Agreement"	the agreement dated 20 July 2018 between CIMC, Southern CIMC Container, CIMC-Tianda Airport Support, Enric Jingmen and CIMC Modern Logistics in relation to the CIMC Finance Capital Increase;
"CIMC Group"	CIMC and its subsidiaries including the Group;
"CIMC Investment"	Shenzhen CIMC Investment Co., Ltd* (深圳市中集投資有限公司), a company established in the PRC with limited liability and a direct wholly-owned subsidiary of CIMC;
"CIMC Modern Logistics"	CIMC Modern Logistics Development Co., Ltd.* (中集現代物流發展有限公司), a company established in the PRC with limited liability and a direct wholly owned subsidiary of CIMC;
"CIMC Technology"	CIMC Technology Co., Ltd* (中集技術有限公司), a company established in the PRC with limited liability and an indirect wholly owned subsidiary of CIMC;

"CIMC-Tianda Airport Support"	Shenzhen CIMC-Tianda Airport Support Co., Ltd.* (深圳中集天達空港設備有限公司), a company established in the PRC with limited liability and an indirect non-wholly-owned subsidiary of the Company;
"CIMC Tianda (Shenzhen)"	CIMC Tianda Holdings (Shenzhen) Co., Ltd.* (中集天達控股（深圳）有限公司), a limited liability company established in the PRC and an indirect wholly owned subsidiary of CIMC;
"CIMC Vehicle"	CIMC Vehicle (Group) Co., Ltd.* (中集車輛（集團）有限公司), a company established in the PRC with limited liability and a direct non-wholly owned subsidiary of CIMC;
"Company"	CIMC-TianDa Holdings Company Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange (Stock code: 445);
"connected person"	has the meaning as ascribed thereto under the Listing Rules;
"controlling shareholder"	has the meaning as ascribed thereto under the Listing Rules;
"Directors"	the director(s) of the Company;
"EGM"	the extraordinary general meeting of the Company to be held at Falcon Room II, Basement, Gloucester Luk Kwok Hong Kong, 72 Gloucester Road, Wanchai, Hong Kong on 6 November 2018 (Tuesday) at 3:00 p.m. for the purpose of considering and, if thought fit, approving the Transactions;
"Enric Jingmen"	CIMC Enric (Jingmen) Energy Equipment Company Limited* (中集安瑞科（荊門）能源裝備有限公司), a company established in the PRC with limited liability and an indirect non-wholly owned subsidiary of CIMC;
"Enric Shenzhen"	CIMC Enric Investment Holdings (Shenzhen) Ltd.* (中集安瑞科投資控股（深圳）有限公司), a company established in the PRC with limited liability and an indirect non-wholly-owned subsidiary of CIMC;
"Enlarged Group"	the Group as enlarged by the Transactions;
"Group"	the Company and its subsidiaries;
"Huijie"	Shenzhen CIMC Huijie Supply Chain Co., Ltd.* (深圳中集匯杰供應鏈有限公司), a limited liability company established in the PRC and an indirect non-wholly owned subsidiary of CIMC;

"Huijie Equity Transfer"	the purchase of the Huijie Sale Shares by Allied Best (China) from CIMC Tianda (Shenzhen);
"Huijie Equity Transfer Agreement"	the agreement dated 20 July 2018 between CIMC Tianda (Shenzhen) and Allied Best (China) in relation to the Huijie Equity Transfer;
"Huijie Sale Shares"	10% of the equity interest in Huijie;
"Independent Board Committee"	the independent board committee of the Company (which comprises all independent non-executive Directors) formed to advise the Independent Shareholders on the terms of the Transactions;
"Independent Financial Adviser"	China AF Corporate Finance Limited, a corporation licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO and the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Transactions;
"Independent Shareholders"	shareholders of the Company other than CIMC and its associates and concert parties;
"Latest Practicable Date"	12 October 2018, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange;
"PRC"	the People's Republic of China, which for the purpose of this circular, will exclude Hong Kong, Taiwan and the Macau Special Administrative Region of the People's Republic of China;
"Pteris"	Pteris Global Limited, a company incorporated in Singapore with limited liability and an indirect non-wholly owned subsidiary of the Company since the completion of the Pteris Acquisition;
"Pteris Acquisition"	the acquisition of 99.41% equity interests of Pteris by Wang Sing Technology Limited, a direct wholly owned subsidiary of the Company, on 23 April 2018;
"RMB"	Renminbi, the lawful currency of the PRC;
"SFO"	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong);
"Shareholder(s)"	the holder(s) of shares of the Company;

"Share Option(s)"	the share option(s) of the Company under the share option scheme adopted by the Company on 29 May 2009;
"Shenzhen Qili"	Shenzhen Qili Corporate Management Partnership (Limited Partnership)* (深圳齊力企業管理合夥企業(有限合夥)), a limited partnership established in the PRC;
"Southern CIMC Container"	Shenzhen Southern CIMC Containers Manufacture Co., Ltd.* (深圳南方中集集裝箱製造有限公司), a company established in the PRC with limited liability and a direct wholly-owned subsidiary of CIMC;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"Tianda Acquisition"	the acquisition of 30% equity interests in CIMC-Tianda Airport Support by Wang Sing Technology Limited, a direct wholly owned subsidiary of the Company, on 23 April 2018;
"Tongchuang"	Shenzhen CIMC Tongchuang Supply Chain Co., Ltd.* (深圳中集同創供應鏈有限公司), a limited liability company established in the PRC and an indirect non-wholly owned subsidiary of CIMC;
"Tongchuang Capital Increase Agreement"	the agreement dated 20 July 2018 between CIMC Investment, CIMC Technology, CIMC Vehicle, Enric Shenzhen, CIMC-Tianda (Shenzhen) and Shenzhen Qili in relation to the capital increase in Tongchuang from RMB35,700,000 to RMB200,000,000;
"Tongchuang Equity Transfer"	the purchase of Tongchuang Sale Shares by Allied Best (China) from CIMC Tianda (Shenzhen);
"Tongchuang Equity Transfer Agreement"	the agreement dated 28 August 2018 between CIMC Tianda (Shenzhen) and Allied Best (China), the purchaser in relation to the Tongchuang Equity Transfer;
"Tongchuang Sale Shares"	5% of the equity interest in Tongchuang;
"Transactions"	the capital contribution by CIMC-Tianda Airport Support to the CIMC Finance Capital Increase, the Huijie Equity Transfer and the Tongchuang Equity Transfer; and
"%"	per cent.

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

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

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

Non-Executive Directors:
Dr. Li Yin Hui *(Chairman)*
Mr. Yu Yu Qun
Mr. Robert Johnson

Independent Non-Executive Directors:
Dr. Loke Yu
Mr. Heng Ja Wei
Mr. Ho Man

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

Head Office and Principal Place of Business in Hong Kong:
Units A-B, 16th Floor
China Overseas Building
139 Hennessy Road
Wan Chai, Hong Kong

Principal Place of Business in the PRC:
No. 8, Section 1, Xin Hua Road
Chengdu Cross-Straits Technological Industry Park
Wenjiang District
Chengdu City
Sichuan Province, PRC

16 October 2018

To the Shareholders

Dear Sirs or Madams,

**MAJOR AND CONNECTED TRANSACTIONS
IN RELATION TO
(1) CAPITAL INCREASE OF CIMC FINANCE COMPANY LTD;
(2) ACQUISITION OF 10% OF THE EQUITY INTEREST IN
SHENZHEN CIMC HUIJIE SUPPLY CHAIN CO., LTD; AND
(3) ACQUISITION of 5% EQUITY INTEREST IN SHENZHEN CIMC
TONGCHUANG SUPPLY CHAIN CO., LTD
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

1. INTRODUCTION

Reference is made to the announcements of the Company on 20 July 2018 and 28 August 2018 in relation to, *inter-alia*, the Transactions.

The Board announced that on 20 July 2018 (after trading hours), CIMC-Tianda Airport Support, an indirect non-wholly owned subsidiary of the Company, entered into the CIMC Finance Capital Increase Agreement with CIMC, Southern CIMC Container, Enric Jingmen and CIMC Modern Logistics, pursuant to which CIMC-Tianda Airport Support agreed to subscribe for registered capital of RMB97,000,000 of CIMC Finance for a consideration of RMB149,995,328.18. Upon completion of the CIMC Finance Capital Increase, the registered capital of CIMC Finance will be increased from RMB500,000,000 to RMB920,000,000 and CIMC-Tianda Airport Support shall hold 10.54% equity interest in CIMC Finance.

In addition, on 20 July 2018 (after trading hours), Allied Best (China), an indirect wholly owned subsidiary of Company, and CIMC Tianda (Shenzhen), an indirect wholly owned subsidiary of CIMC, entered into the Huijie Equity Transfer Agreement pursuant to which Allied Best (China) agreed to acquire the Huijie Sale Shares from CIMC Tianda (Shenzhen) at nil consideration. Upon completion of the Huijie Equity Transfer, Allied Best (China) shall hold 10% equity interest in Huijie.

On 28 August 2018 (after trading hours), Allied Best (China) and CIMC Tianda (Shenzhen) entered into the Tongchuang Equity Transfer Agreement pursuant to which Allied Best (China) agreed to acquire the Tongchuang Sale Shares from CIMC Tianda (Shenzhen) at nil consideration. Upon completion of the Tongchuang Equity Transfer, Allied Best (China) shall hold 5% equity interest in Tongchuang.

The Transactions are separate from each other and not inter-conditional.

The purpose of this circular is to provide you with, among other things, (i) further information on the Transactions, (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Transactions; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Transactions; and (iv) the notice convening the EGM approving the Transactions.

2. THE TRANSACTIONS

(1) CIMC Finance Capital Increase Agreement

The principal terms of the CIMC Finance Capital Increase Agreement are summarized as follows:

Date

20 July 2018 (after trading hours)

Parties

(a) CIMC

(b) Southern CIMC Container

(c) CIMC-Tianda Airport Support

(d) Enric Jingmen

(e) CIMC Modern Logistics

CIMC, Southern CIMC Container, Enric Jingmen and CIMC Modern Logistics are connected persons of the Company. Further information about these parties is set out in the section headed "Information Relating to the Parties to the CIMC Finance Capital Increase Agreement" below.

Subject Matter

Pursuant to the CIMC Finance Capital Increase Agreement, CIMC-Tianda Airport Support agreed to subscribe for registered capital of RMB97,000,000 of CIMC Finance for a consideration of RMB149,995,328.18. Upon completion of the CIMC Finance Capital Increase, the registered capital of CIMC Finance will be increased from RMB500,000,000 to RMB920,000,000 and CIMC-Tianda Airport Support shall hold 10.54% equity interest in CIMC Finance.

Capital Contribution and Consideration

Pursuant to the CIMC Finance Capital Increase Agreement, Southern CIMC Container, CIMC-Tianda Airport Support, Enric Jingmen and CIMC Modern Logistics will make cash contributions to the increase in the registered capital of CIMC Finance by RMB420,000,000, of which:

(a) Southern CIMC Container agreed to subscribe for registered capital of RMB194,000,000 for a consideration of RMB299,990,656.36 for an equity interest of 21.09% after the CIMC Finance Capital Increase;

(b) CIMC-Tianda Airport Support agreed to subscribe for registered capital of RMB97,000,000 for a consideration of RMB149,995,328.18 for an equity interest of 10.54% after the CIMC Finance Capital Increase;

(c) Enric Jingmen agreed to subscribe for registered capital of RMB64,500,000 for a consideration of RMB99,739,161.52 for an equity interest of 7.01% after the CIMC Finance Capital Increase; and

(d) CIMC Modern Logistics agreed to subscribe for registered capital of RMB64,500,000 for a consideration of RMB99,739,161.52 for an equity interest of 7.01% after the CIMC Finance Capital Increase.

The excess of the consideration over the registered capital contributed by each of the above parties will be allocated to the capital reserves of CIMC Finance.

Shareholding Structure of CIMC Finance

The following table shows the registered capital and shareholding structure of CIMC Finance before and after the CIMC Finance Capital Increase:

	Before the CIMC Finance Capital Increase		After the CIMC Finance Capital Increase	
Shareholders	**Registered Capital of CIMC Finance** *(RMB)*	**Percentage of shareholding in CIMC Finance** *(%)*	**Registered Capital of CIMC Finance** *(RMB)*	**Percentage of shareholding in CIMC Finance** *(%)*
CIMC	500,000,000	100.00	500,000,000	54.35
Southern CIMC Container	–	–	194,000,000	21.09
CIMC-Tianda Airport Support	–	–	97,000,000	10.54
Enric Jingmen	–	–	64,500,000	7.01
CIMC Modern Logistics	–	–	64,500,000	7.01
Total	**500,000,000**	**100.00**	**920,000,000**	**100.00**

Regulatory and Shareholders' Approvals

The capital contributions by Southern CIMC Container, Enric Jingmen and CIMC Modern Logistics shall be injected into the designated account of CIMC Finance within 90 working days after the approval of the CIMC Finance Capital Increase by the Shenzhen Office of the China Banking Regulatory Committee.

The contribution by CIMC-Tianda Airport Support to the CIMC Finance Capital Increase shall only become effective after the approval of the Independent Shareholders on the CIMC Finance Capital Increase Agreement and the transactions contemplated thereunder at the EGM in accordance with the Listing Rules. CIMC-Tianda Airport Support shall inject its contribution into the designated account of CIMC Finance (i) within 10 working days after the CIMC Finance Capital Increase Agreement and the transactions contemplated thereunder are approved by the Independent Shareholders or (ii) within 90 working days after the approval of the CIMC Finance Capital Increase by the Shenzhen Office of the China Banking Regulatory Committee, whichever is the later.

Pre-emptive Rights

For the purpose of the CIMC Finance Capital Increase, CIMC has agreed not to exercise its pre-emptive rights and consented to the contributions to be made by the other parties to the CIMC Finance Capital Increase Agreement.

Information Relating to the Parties to the CIMC Finance Capital Increase Agreement

Information on CIMC

CIMC is a joint stock company established in the PRC with limited liability, the A shares of which are listed on the Shenzhen Stock Exchange and the H shares of which are listed on the Main Board of the Stock Exchange. CIMC is principally engaged in the container manufacturing and service business, road transportation vehicle business, energy, chemical and food equipment business, offshore engineering business, airport facilities equipment business and fire safety business.

Information on Southern CIMC Container

Southern CIMC Container is a company established in the PRC with limited liability and a direct wholly owned subsidiary of CIMC. It is principally engaged in the manufacturing and repairing of containers, production of related mechanical parts and components and equipment.

Information on CIMC-Tianda Airport Support

CIMC-Tianda Airport Support is a company established in the PRC with limited liability and an indirect non-wholly owned subsidiary of the Company. It is principally engaged in the manufacturing and sale of electro-mechanical equipment for airports.

Information on Enric Jingmen

Enric Jingmen is a company established in the PRC with limited liability and an indirect non-wholly owned subsidiary of CIMC. It is principally engaged in investment holding.

Information on CIMC Modern Logistics

CIMC Modern Logistics is a company established in the PRC with limited liability and a direct wholly owned subsidiary of CIMC. It is principally engaged in the provision of international and domestic freight transportation agency services.

Information on the Group

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

Information on CIMC Finance

CIMC Finance is a company established in the PRC with limited liability. CIMC Finance is a banking financial institution established in the PRC and principally engaged in the provision of financial services to CIMC Group. CIMC Finance is principally engaged in the provision of (i) loans and advances to customers, discounted bills, deposits with banks and other financial institutions, investment securities; and (ii) consultancy and advisory services, entrusted loan services, guarantee and other agency services. CIMC Finance is currently a direct wholly owned subsidiary of CIMC. Upon completion of the CIMC Finance Capital Increase, CIMC Finance will be held as to 10.54% by CIMC-Tianda Airport Support and as to 54.35%, 21.09%, 7.01% and 7.01% by CIMC, Southern CIMC Container, Enric Jingmen and CIMC Modern Logistics respectively.

After completion of the CIMC Finance Capital Increase, CIMC-Tianda Airport Support shall be entitled to nominate one representative to act as a director of CIMC Finance.

The audited financial information of CIMC Finance for the two years ended 31 December 2016 and 2017 and for the six months ended 30 June 2018, prepared in accordance with the Hong Kong Financial Reporting Standards, is set out below:

	For the year ended 31 December		**For the six months ended 30 June**	
	2016	**2017**	**2017**	**2018**
	(audited)	(audited)	(unaudited)	(audited)
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Profit before taxation	75,128	110,834	41,081	85,587
Profit after taxation	56,162	82,940	30,811	64,190

	At 31 December		**At 30 June**
	2016	**2017**	**2018**
	(audited)	(audited)	(audited)
	RMB'000	*RMB'000*	*RMB'000*
Net assets	737,055	807,520	815,870

(2) The Huijie Equity Transfer Agreement

The principal terms of the Huijie Equity Transfer Agreement are summarized as follows:

Date

20 July 2018 (after trading hours)

Parties

(a) CIMC Tianda (Shenzhen)

(b) Allied Best (China)

CIMC Tianda (Shenzhen) is a connected person of the Company. Further information about CIMC Tianda (Shenzhen) and Allied Best (China) is set out in the section headed "Information Relating to the Huijie Equity Transfer Agreement" below.

Subject Matter

Pursuant to the Huijie Equity Transfer Agreement, Allied Best (China) agreed to acquire 10% equity interest in Huijie from CIMC Tianda (Shenzhen) at nil consideration. Upon completion of the Huijie Equity Transfer, Allied Best (China) shall hold 10% equity interest in Huijie.

Consideration

CIMC Tianda (Shenzhen) was one of the original shareholders at the time of the establishment of Huijie and has not made its capital contribution of RMB10,000,000 to the registered capital of Huijie as at the date of the Huijie Equity Transfer Agreement. Accordingly, the consideration for the Huijie Equity Transfer is nil and Allied Best (China) shall instead assume the obligation of CIMC Tianda (Shenzhen) to contribute RMB10,000,000 to the registered capital of Huijie upon completion of the Huijie Equity Transfer. The Huijie Sale Shares represent 10% equity interest in Huijie.

Shareholding Structure of Huijie

The following table shows the registered capital and shareholding structure of Huijie before and after the Huijie Equity Transfer:

	Before the Huijie Equity Transfer		After the Huijie Equity Transfer	
Shareholders	**Registered capital of Huijie** *(RMB)*	**Percentage of shareholding in Huijie** *(%)*	**Registered capital of Huijie** *(RMB)*	**Percentage of shareholding in Huijie** *(%)*
CIMC Investment	40,000,000	40	40,000,000	40
CIMC Technology	25,000,000	25	25,000,000	25
Enric Shenzhen	10,000,000	10	10,000,000	10
CIMC Tianda (Shenzhen)	10,000,000	10	–	–
Shenzhen Shangyi	15,000,000	15	15,000,000	15
Allied Best (China)	–	–	10,000,000	10
Total	**100,000,000**	**100**	**100,000,000**	**100**

Conditions Precedent

Completion of the Huijie Equity Transfer is conditional upon the following conditions:

(a) Huijie completes the relevant procedures for the registration of change of shareholders relating to the Huijie Sale Shares with the relevant business registration authority in the PRC;

(b) the board of directors and the shareholders of CIMC Tianda (Shenzhen) have passed a resolution approving the Huijie Equity Transfer;

(c) the board of directors and the shareholders of Huijie have passed a resolution approving the Huijie Equity Transfer; and

(d) the Independent Shareholders have approved the Huijie Equity Transfer Agreement and the transactions contemplated thereunder at the EGM in accordance with the Listing Rules.

None of the above conditions is waivable. As at the Latest Practicable Date, none of the above conditions is fulfiled.

Pre-emptive Rights

For the purpose of the Huijie Equity Transfer, the other existing shareholders of Huijie, namely CIMC Investment, CIMC Technology, Enric Shenzhen and Shenzhen Shangyi, have agreed not to exercise their pre-emptive rights to purchase the Huijie Sale Shares.

Completion

Completion will take place on the date of the completion of the relevant registration for the change of shareholder of Huijie from CIMC Tianda (Shenzhen) to Allied Best (China) in respect of the Huijie Equity Transfer with the relevant business registration authority and after the above conditions precedent are satisfied. The completion of the Huijie Equity Transfer shall be no later than 31 December 2018 or any other date as agreed between CIMC Tianda (Shenzhen) and Allied Best (China).

Information Relating to the Parties to the Huijie Equity Transfer Agreement

Information on CIMC Tianda (Shenzhen)

CIMC Tianda (Shenzhen) is a company established in the PRC with limited liability and an indirectly wholly owned subsidiary of CIMC. It is principally engaged in the provision of consultancy services for corporate management and the development of airport equipment.

Information on Allied Best (China)

Allied Best (China) is a company established in the PRC with limited liability and an indirect wholly owned subsidiary of the Company. It is principally engaged in the design and manufacturing of fire equipment.

Information on Huijie

Huijie is a limited liability company established in the PRC on 13 July 2018. It is a procurement company and principally engaged in providing procurement services. Its target customers are CIMC and its subsidiaries and business enterprises outside the CIMC Group. Huijie is mainly focused on ancillary materials for production such as chemical materials, paint, engine oil etc., hazardous waste treatment, and machinery repairing and maintenance services.

As Huijie is a newly established company, the registered capital of Huijie has not been fully paid up as at the Latest Practicable Date. Based on the unaudited management accounts of Huijie for the period from the date of its incorporation to 30 September 2018, the revenue of Huijie was approximately RMB1,477,000, which represented income generated from sales of plastic materials to an external customer, and Huijie's loss before taxation and loss after taxation for the period were both RMB12,669. The net asset value of Huijie as at 30 September 2018 was approximately RMB70 million which primarily represented the amount of registered capital contributed by its shareholders to date.

After completion of the Huijie Equity Transfer, Allied Best (China) shall be entitled to nominate one representative to act as a director of Huijie.

(3) The Tongchuang Equity Transfer Agreement

The principal terms of the Tongchuang Equity Agreement are summarized as follows:

Date

28 August 2018 (after trading hours)

Parties

(a) CIMC Tianda (Shenzhen)

(b) Allied Best (China)

Subject Matter

Pursuant to the Tongchuang Equity Transfer Agreement, Allied Best (China) agreed to acquire 5% equity interest in Tongchuang from CIMC Tianda (Shenzhen) at nil consideration. Upon completion of the Tongchuang Equity Transfer, Allied Best (China) shall hold 5% equity interest in Tongchuang.

Consideration

CIMC Tianda (Shenzhen) has only acquired the Tongchuang Sale Shares by way of subscription by entering into the Tongchuang Capital Increase Agreement on 20 July 2018, and has not made its contribution of RMB10,000,000 to the registered capital of Tongchuang as at the date of the Tongchuang Equity Transfer Agreement. Accordingly, the consideration for the Tongchuang Equity Transfer is nil and Allied Best (China) shall instead assume the obligation of CIMC Tianda (Shenzhen) to contribute RMB10,000,000 to the registered capital of Tongchuang upon completion of the Tongchuang Equity Transfer. The Tongchuang Sale Shares represent 5% equity interest in Tongchuang.

Shareholding Structure of Tongchuang

The following table shows the registered capital and shareholding structure of Tongchuang before and after the Tongchuang Equity Transfer:

	Before the Tongchuang Equity Transfer		After the Tongchuang Equity Transfer	
Shareholders	**Registered capital of Tongchuang** *(RMB)*	**Percentage of shareholding in Tongchuang** *(%)*	**Registered capital of Tongchuang** *(RMB)*	**Percentage of shareholding in Tongchuang** *(%)*
CIMC Investment	70,000,000	35	70,000,000	35
CIMC Technology	50,000,000	25	50,000,000	25
CIMC Vehicle	20,000,000	10	20,000,000	10
Enric Shenzhen	20,000,000	10	20,000,000	10
CIMC-Tianda (Shenzhen)	10,000,000	5	–	–
Shenzhen Qili	30,000,000	15	30,000,000	15
Allied Best (China)	–	–	10,000,000	5
Total	**200,000,000**	**100**	**200,000,000**	**100**

Conditions Precedent

Completion of the Tongchuang Equity Transfer is conditional upon the following conditions:

(a) Tongchuang completes the relevant procedures for registration of the change of shareholders relating to the Tongchuang Sale Shares with the relevant business registration authority in the PRC;

(b) the board of directors and the shareholders of CIMC Tianda (Shenzhen) have passed a resolution on the Tongchuang Equity Transfer;

(c) the board of directors and the shareholders of Tongchuang have passed a resolution on the Tongchuang Equity Transfer; and

(d) the Independent Shareholders have approved the Tongchuang Equity Transfer Agreement and the transactions contemplated thereunder at the EGM in accordance with the Listing Rules.

None of the above conditions is waivable. As at the Latest Practicable Date, none of the above conditions is fulfiled.

Pre-emptive Rights

For the purpose of the Tongchuang Equity Transfer, the other existing shareholders of Tongchuang, namely CIMC Investment, CIMC Technology, CIMC Vehicle, Enric Shenzhen and Shenzhen Qili, have agreed not to exercise their pre-emptive rights to purchase the Tongchuang Sale Shares.

Completion

Completion will take place on the date of the completion of the relevant procedures for the registration of the change of shareholder of Tongchuang from CIMC Tianda (Shenzhen) to Allied Best (China) in respect of the Tongchuang Equity Transfer with the relevant business registration authority in the PRC and after the above conditions precedent are satisfied. The completion of the Tongchuang Equity Transfer shall be no later than 31 December 2018 or any other date as agreed between CIMC Tianda (Shenzhen) and Allied Best (China).

Information on Tongchuang

Tongchuang is a limited liability company established in the PRC in 2016. It is principally engaged in (i) sale and trading of steel and aluminum products; and (ii) provision of supply chain management services. Its target customers are CIMC and its subsidiaries and business enterprises outside the CIMC Group.

The audited financial information of Tongchuang for the period from the date of its incorporation to 31 December 2017 and for the six months ended 30 June 2018, prepared in accordance with Hong Kong Financial Reporting Standards, is set out below:

	From date of incorporation to 31 December	For the six months ended 30 June	
	2017	**2017**	**2018**
	(audited)	(unaudited)	(audited)
	RMB'000	*RMB'000*	*RMB'000*
Profit before taxation	894	–	1,790
Profit after taxation	670	–	1,342

	At 31 December 2017	At 30 June 2018
	(audited)	(audited)
	RMB'000	*RMB'000*
Net assets	670	37,713

The significant increase in net asset value from 31 December 2017 to 30 June 2018 was primarily due to the registered capital of RMB35,700,000 paid up by CIMC Investment in 2018.

3. REASONS FOR AND BENEFITS OF ENTERING INTO THE TRANSACTIONS

(1) The CIMC Finance Capital Increase

Due to the limitation of the capital base of CIMC Finance, the scale of asset placement by CIMC Finance to support its customers has reached the regulatory limits, which has restrained the financial service capabilities and the business expansion of CIMC Finance. With the CIMC Finance Capital Increase, additional capital will be provided to CIMC Finance to further its business development plans.

Upon completion of the CIMC Finance Capital Increase, the profits to be generated from the financial services provided by CIMC Finance will provide an additional income stream to the Group through its investment in CIMC Finance.

The Board considers that CIMC Finance has a sound financial performance since its establishment and the contribution by the Group to the CIMC Finance Capital Increase can enhance the profitability of the Group through the investment in CIMC Finance and strengthen the relationship with CIMC Finance which is expected to provide better financial support to the Group. With the continued business development and the expansion of the operation of CIMC Finance, the Board considers the contribution by the Group to the CIMC Finance Capital Increase is beneficial and conducive to business growth of the Group.

The parties to the CIMC Finance Capital Increase Agreement has taken the net asset value of CIMC Finance as at 31 December 2017 as the basis in determining the amount of capital contributions to the CIMC Finance Capital Increase. The net asset value of CIMC Finance as at 31 December 2017 was RMB773,171,794.73, represented by the registered capital of RMB500,000,000 and capital reserves of RMB273,171,794.73 after deducting profit distributable to the shareholders of CIMC Finance of RMB34,347,922.80 for the year ended 31 December 2017. The net asset value per registered capital at 31 December 2017 was approximately RMB1.5463 (RMB773,171,794.73/RMB500,000,000). The consideration for the contributions by the Group to the CIMC Finance Capital Increase is therefore RMB149,995,328.18 (RMB97,000,000 × RMB773,171,794.73/RMB500,000,000), of which RMB97,000,000 represents contributions by the Group to the registered capital and RMB52,995,328.18 will be allocated to the capital reserves of CIMC Finance.

The net asset value of CIMC Finance as at 30 June 2018 was approximately RMB816,748,000. Assuming that the contributions by the relevant parties to the CIMC Finance Capital Increase Agreement, which amount to RMB649,464,307.58, had been completed on 30 June 2018, the Group’s share of the net assets of CIMC Finance as at 30 June 2018 would have been approximately RMB154,539,000 (10.54% × (RMB816,748,000 + RMB649,464,307.58)) which would result in a negative goodwill of approximately RMB4,544,000 (RMB154,539,000 – RMB149,995,328.18) as illustrated in note 2 to the Unaudited Pro Forma Financial Information of the Enlarged Group set out in Appendix III to this circular. The consideration of

RMB149,995,328.18 paid by the Group therefore represents a discount of approximately 2.94% to its share of CIMC Finance's net asset value as at 30 June 2018, which is considered to be favourable to the Group.

The capital contribution by CIMC-Tianda Airport Support to the CIMC Finance Capital Increase will be financed by the internal resources of the Group.

To the best knowledge, information and belief of the Directors having made all reasonable inquiry, the proceeds from the capital contribution by CIMC-Tianda Airport Support, together with the contributions to the registered capital of CIMC Finance to be made by the other parties to the CIMC Finance Capital Increase Agreement, totalling RMB649,464,307.58, will be applied primarily for (i) ensuring sufficiency of the capital and enhance the capital adequacy ratio of CIMC Finance, (ii) expanding CIMC Finance's asset management scale and service capabilities, including expanding the size of loans provided to CIMC and its subsidiaries, and improving other financial services such as bill acceptance and Letter of guarantee and (iii) increasing the variety of financial services to be provided by CIMC Finance, including the foreign exchange derivatives business, equity investment in financial institutions, etc.

(2) The Huijie Equity Transfer

Huijie is a newly established company which is principally engaged in the trading of ancillary materials for production such as chemical materials, paint, engine oil etc., provision of hazardous waste treatment services, and machinery repairing and maintenance services.

The Board believes that by injecting capital into Huijie, the Group can foster a close relationship with Huijie and secure a consistent and reliable supply of ancillary materials and products and services from Huijie for the Group's production activities. Taking advantage of the solid relationship that CIMC has built up with the suppliers, Huijie has established robust sourcing channels and therefore is in a better position to obtain good quality products at more favourable terms from suppliers. The Board believes that this strategic relationship is beneficial to the business development of the Group and Huijie by allowing them to focus and leverage on their respective strengths in the industry and benefit from economies of scale. The Group can also enjoy more favourable prices on procurement and gains from the investment in Huijie.

As Huijie is an indirect non-wholly owned subsidiary of CIMC, which is the controlling shareholder of the Company, and hence a connected person of the Company, the transactions in relation to the purchase of ancillary materials and services from Huijie will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. The Company will comply with all relevant requirements of the Listing Rules in respect of transactions with Huijie.

The contribution of RMB10,000,000 by Allied Best (China) to the registered capital of Huijie, which was determined between CIMC Tianda (Shenzhen) and Allied Best (China) on arm's length negotiations, will be financed by the internal resources of the Group.

To the best knowledge, information and belief of the Directors having made all reasonable inquiry, the proceeds from the capital contribution to be made by Allied Best (China), together with the contributions to the registered capital of Huijie made by the other shareholders of Huijie, will be applied as follows:

(i) approximately RMB15,000,000 for the acquisition of a procurement company which provides consumables, tools and other equipment to members of the CIMC Group with a view to enhancing the variety of products and service capability of Huijie in future; and

(ii) the remaining for working capital.

(3) The Tongchuang Equity Transfer

Established in March 2016, Tongchuang is principally engaged in (i) sale and trading of steel and aluminum products; and (ii) provision of supply chain management services.

Taking advantage of the solid relationship that CIMC has built up with the suppliers, Tongchuang has established strategic collaborations with major domestic steel plants in the PRC and is in an advantageous position to secure stable supply at favourable prices. The Board believes that by injecting capital into Tongchuang, the Group is able to establish a closer business relationship with Tongchuang and secure a consistent and reliable supply of quality steel products and services from Tongchuang for the Group's production activities. As with the Huijie Equity Transfer, the Board believes that this strategic relationship is beneficial to the business development of the Group and Tongchuang by allowing them to focus and leverage on their respective strengths in the industry and benefit from economies of scale. The Group can also enjoy more favourable prices on procurement and gains from the capital investment in Tongchuang.

As Tongchuang is an indirect non-wholly owned subsidiary of CIMC, which is the controlling shareholder of the Company, and hence a connected person of the Company, the transactions in relation to the purchase of steel products and services from Tongchuang will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. The Company will comply with all relevant requirements of the Listing Rules in respect of transactions with Tongchuang.

The contribution of RMB10,000,000 by Allied Best (China) to the registered capital of Tongchuang, which was determined between CIMC Tianda (Shenzhen) and Allied Best (China) on arm's length negotiations, will be financed by the internal resources of the Group.

To the best knowledge, information and belief of the Directors having made all reasonable inquiry, the proceeds from the capital contribution by Allied Best (China), together with the contributions to the registered capital of Tongchuang made by other shareholders of Tongchuang, will be used entirely for working capital of Tongchuang.

Accordingly, the Directors (including (1) the independent non-executive Directors whose views are set out in the Letter from the Independent Board Committee; and (2) each of Mr. Li Yin Hui, Mr. Zheng Zu Hua, Mr. Luan You Jun and Mr. Yu Yu Qun, who is a Director nominated by CIMC, the indirect controlling shareholder of the Company, and has abstained from voting) are of the view that the terms of each of the CIMC Finance Capital Increase Agreement, the Huijie Equity Transfer Agreement and the Tongchuang Equity Transfer Agreement are fair and reasonable and the entering into of these Transactions is in the interests of the Company and the Shareholders as a whole.

4. FINANCIAL EFFECT OF THE TRANSACTIONS

Assets and liabilities

Based on the unaudited pro forma financial information of the Enlarged Group as set out in Appendix III to this circular, assuming the Transactions had taken place on 30 June 2018, the total assets of the Group would have increased from approximately RMB5,134 million to approximately RMB5,136 million and there would have been no change in the total liabilities of the Group.

Earnings

Upon completion of the Transactions, CIMC Finance and Huijie are expected to be accounted for as associated companies of the Group and their results will be equity accounted for in the consolidated financial statements of the Group. The equity investment in Tongchuang is expected to be accounted for as a financial asset of the Group. In light of the potential future benefits and prospects of the Transactions as stated in the section headed "Reasons for and benefits of entering into the Transactions" above, the Directors are of the view that, taking into account the professional fees to be incurred for the Transactions including but not limited to the audit fee and legal fee, the Transactions will likely contribute positively to the Group. However, the actual effect on earnings will depend on the future financial performance of CIMC Finance, Huijie and Tongchuang.

5. IMPLICATIONS UNDER THE LISTING RULES

(1) The CIMC Finance Capital Increase Agreement

The CIMC Finance is directly wholly owned by CIMC, which is the controlling shareholder of the Company. As such, CIMC and CIMC Finance are connected persons of the Company and the contribution by CIMC-Tianda Airport Support to the CIMC Finance Capital Increase therefore constitutes a connected transaction for the Company for the purpose of Chapter 14A of the Listing Rules.

(2) The Huijie Equity Transfer Agreement And The Tongchuang Equity Transfer Agreement

CIMC Tianda (Shenzhen) is an indirect wholly owned subsidiary of CIMC which is the controlling shareholder of the Company. As such, CIMC and CIMC Tianda (Shenzhen) are connected persons of the Company, and the Huijie Equity Transfer and the Tongchuang Equity Transfer therefore constitute connected transactions of the Company for the purpose of Chapter 14A of the Listing Rules.

As CIMC Finance, CIMC Tianda (Shenzhen) and the other relevant parties to the CIMC Finance Capital Increase Agreement, the Huijie Equity Transfer Agreement and the Tongchuang Equity Transfer Agreement are ultimately controlled by CIMC, according to Rule 14.22 of the Listing Rules, the Transactions shall be aggregated for the purpose of calculating the applicable percentage ratios.

As one of the applicable percentage ratios in relation to the Transactions in aggregate under the Listing Rules is more than 25% but less than 100%, the Transactions constitute major transactions for the Company under Chapter 14 of the Listing Rules and are therefore subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

As the applicable percentage ratios in respect of the Transactions in aggregate under the Listing Rules are more than 5%, the Transactions also constitute connected transactions of the Company that are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As CIMC, which is interested in 51.1% of the shareholding of the Company as at the Latest Practicable Date, has a material interest in the Transactions, CIMC and its respective associate(s) will abstain from voting on the relevant resolutions at the EGM.

6. THE INDEPENDENT BOARD COMMITTEE AND THE INDEPENDENT FINANCIAL ADVISER

An Independent Board Committee comprising all the independent non-executive Directors has been established by the Company to advise the Independent Shareholders as to whether the terms of the Transactions are fair and reasonable and as to voting in respect thereof at the EGM.

Members of the Independent Board Committee, who have taken into account the terms of the Transactions, the principal factors and reasons considered by and the opinion of the Independent Financial Advisor as set out in the "Letter From the Independent Financial Advisor" of this circular, considered that while the Transactions are not in the ordinary and usual course of business of the Group, (i) the Transactions are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are considered; and (ii) the entering into of the Transactions is in the interests of the Company and the Shareholders as a whole.

None of the members of the Independent Board Committee is interested in the Transactions.

China AF Corporate Finance Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the Transactions. Their letter of advice is set out in the "Letter from the Independent Financial Advisor" of this circular.

7. EGM AND PROXY ARRANGEMENT

A notice convening the EGM to be held at Falcon Room II, Basement, Gloucester Luk Kwok Hong Kong, 72 Gloucester Road, Wanchai, Hong Kong on 6 November 2018 (Tuesday) at 3:00 p.m. is set out on pages EGM-1 to EGM-3 of this circular.

Whether or not you are able to attend the EGM in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon o the Hong Kong branch share registrar of the Company, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as practicable but in any event not later than 48 hours before the time appointed for the holding of the EGM or the adjourned meeting thereof (as the case may be). Completion and delivery of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting thereof (as the case may be).

8. CLOSURE OF THE SHAREHOLDERS' REGISTERS

For the purpose of determining the list of shareholders who are entitled to attend and vote at the EGM, the shareholders' register of the Company will be closed from Thursday, 1 November 2018 to Tuesday, 6 November 2018. No transfer of shares of the Company will be registered during that day. In order to qualify to attend and vote at the EGM, all instruments of transfer together with the relevant share certificate(s) must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 31 October 2018.

9. RECOMMENDATIONS

For the reasons stated in this letter, the Board recommends the Shareholders to vote in favour of the resolutions proposed at the EGM to approve the Transactions. Your attention is also drawn to the additional information set out in the appendices of this circular.

As the Transactions are subject to Shareholders' and other regulatory approvals and other conditions precedent, the Transactions may or may not proceed to completion. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Transactions.

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

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

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

16 October 2018

To the Shareholders

Dear Sirs or Madams,

MAJOR AND CONNECTED TRANSACTIONS
IN RELATION TO
(1) CAPITAL INCREASE OF CIMC FINANCE COMPANY LTD;
(2) ACQUISITION OF 10% OF THE EQUITY INTEREST IN SHENZHEN CIMC HUIJIE SUPPLY CHAIN CO., LTD; AND
(3) ACQUISITION of 5% EQUITY INTEREST IN SHENZHEN CIMC TONGCHUANG SUPPLY CHAIN CO., LTD
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING

We refer to the circular of the Company dated 16 October 2018 (the "**Circular**"), of which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter have the same meanings as defined in the Circular.

We have been appointed by the Board as the Independent Board Committee to advise the Independent Shareholders as to whether the terms of the Transactions are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

We wish to draw your attention to (i) the letter of advice from the Independent Financial Advisor. Details of the advice of the Independent Financial Advisor, together with the principal factors and reasons it has taken into consideration, are set out on pages 25 to 53 of the Circular; (ii) the letter from the Board as set out on pages 5 to 22 of the Circular; and (iii) the additional information set out in the appendices to the Circular.

Having considered the terms of the Transactions and the principal factors and reasons considered by and the opinion of the Independent Financial Advisor as set out in its letter of advice, we consider that while the Transactions are not in the ordinary and usual course of business of the Group, the Transactions are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned. We consider the entering into of the CIMC Finance Capital Increase Agreement, the Huijie Equity Transfer Agreement and the Tongchuang Equity Transfer Agreement is in the interests of the Company and its Shareholders as a whole.

Accordingly, we recommend that the Independent Shareholders to vote in favour of the resolutions to approve the Transactions at the EGM.

Yours faithfully,
For and on behalf of
The Independent Board Committee

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

The following is the letter of advice from the China AF Corporate Finance Limited to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.

中國農信財務顧問有限公司
China AF Corporate Finance Limited

China AF Corporate Finance Limited
Units 2303-2306, 23/F.,
Great Eagle Centre
23 Harbour Road
Wanchai, H.K.
中國農信財務顧問有限公司
香港灣仔港灣道23號鷹君中心
23樓2303-2306室

16 October 2018

To: The Independent Board Committee and the Independent Shareholders

Dear Sirs,

MAJOR AND CONNECTED TRANSACTIONS
IN RELATION TO
(1) CAPITAL INCREASE OF CIMC FINANCE COMPANY LTD;
(2) ACQUISITION OF 10% OF THE EQUITY INTEREST IN
SHENZHEN CIMC HUIJIE SUPPLY CHAIN CO., LTD; AND
(3) ACQUISITION OF 5% OF THE EQUITY INTEREST IN
SHENZHEN CIMC TONGCHUANG SUPPLY CHAIN CO., LTD

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Transactions, details of which are set out in the "Letter from the Board" (the "**Board's Letter**") contained in the circular dated 16 October 2018 issued by the Company to the Shareholders (the "**Circular**"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings ascribed to them in the Circular unless the context requires otherwise.

On 20 July 2018 (after trading hours), CIMC-Tianda Airport Support, an indirect non-wholly owned subsidiary of the Company, entered into the CIMC Finance Capital Increase Agreement with CIMC, Southern CIMC Container, Enric Jingmen and CIMC Modern Logistics, pursuant to which CIMC-Tianda Airport Support agreed to subscribe for registered capital of RMB97,000,000 of CIMC Finance for a consideration of RMB149,995,328.18. Upon completion of the CIMC Finance Capital Increase, the registered capital of CIMC Finance will be increased from RMB500,000,000 to RMB920,000,000 and CIMC-Tianda Airport Support shall hold 10.54% equity interest in CIMC Finance.

In addition, on 20 July 2018 (after trading hours), Allied Best (China), an indirect wholly owned subsidiary of the Company, entered into the Huijie Equity Transfer Agreement with CIMC Tianda (Shenzhen), an indirect wholly owned subsidiary of CIMC, pursuant to which Allied Best (China) agreed to acquire the Huijie Sale Shares at nil consideration. Upon completion of the Huijie Equity Transfer, Allied Best (China) shall hold 10% equity interest in Huijie.

On 28 August 2018 (after trading hours), Allied Best (China) and CIMC Tianda (Shenzhen) entered into the Tongchuang Equity Transfer Agreement pursuant to which Allied Best (China) agreed to acquire the Tongchuang Sale Shares from CIMC Tianda (Shenzhen) at nil consideration. Upon completion of the Tongchuang Equity Transfer, Allied Best (China) shall hold 5% equity interest in Tongchuang.

The Transactions are separated from each other and not inter-conditional.

LISTING RULES IMPLICATION

The CIMC Finance Capital Increase Agreement

The CIMC Finance is directly wholly owned by CIMC, which is the controlling shareholder of the Company. As such, CIMC and CIMC Finance are connected persons of the Company and the contribution by CIMC-Tianda Airport Support to the CIMC Finance Capital Increase therefore constitutes a connected transaction for the Company for the purpose of Chapter 14A of the Listing Rules.

The Huijie Equity Transfer Agreement and the Tongchuang Equity Transfer Agreement

CIMC Tianda (Shenzhen) is an indirect wholly owned subsidiary of CIMC which is the controlling shareholder of the Company. As such, CIMC and CIMC Tianda (Shenzhen) are connected persons of the Company and the Huijie Equity Transfer and the Tongchuang Equity Transfer therefore constitute connected transactions for the Company for the purpose of Chapter 14A of the Listing Rules.

As CIMC Finance, CIMC Tianda (Shenzhen) and the other relevant parties to the CIMC Finance Capital Increase Agreement, the Huijie Equity Transfer Agreement and the Tongchuang Equity Transfer Agreement are ultimately controlled by CIMC, according to Rule 14.22 of the Listing Rules, the Transactions shall be aggregated for the purpose of calculating the applicable percentage ratios.

As one of the applicable percentage ratios in relation to the Transactions in aggregate under the Listing Rules is more than 25% but less than 100%, the Transactions constitute major transactions for the Company under Chapter 14 of the Listing Rules and are therefore subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

As the applicable percentage ratios in respect of the Transactions in aggregate under the Listing Rules are more than 5%, the Transactions also constitute connected transactions of the Company that are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As CIMC, which is interested in 51.1% of the shareholding of the Company as at the Latest Practicable Date, has a material interest in the Transactions, CIMC and its respective associate(s) will abstain from voting on the relevant resolutions at the EGM.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all the independent non-executive Directors, namely Dr. Loke Yu, Mr. Heng Ja Wei and Mr. Ho Man, has been established by the Company to advise the Independent Shareholders as to whether the terms of the Transactions are fair and reasonable and as to voting in respect thereof at the EGM.

None of the members of the Independent Board Committee is interested in the Transactions.

OUR INDEPENDENCE

We have been approved and appointed by the Independent Board Committee to make recommendations to the Independent Board Committee and the Independent Shareholders as to whether the terms of the Transactions are fair and reasonable and in the interests of the Company and the Shareholders as a whole and as to how to vote.

As at the Latest Practicable Date, we did not have any relationship with, or interest in, the Company or any other parties that could reasonably be regarded as relevant to our independence. Save for this appointment as the Independent Financial Adviser in respect of the Transactions and the appointment as an independent financial adviser to the Company in respect of the continuous connected transactions as announced by the Company on 20 September 2018 (the "**CCT Appointment**"), there were no other engagements between us and the Company or any other parties who are interested in the Transactions in the last two years. Apart from normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser and the aforementioned appointment as independent financial adviser to the Company in respect of the continuous connected transactions, no arrangements existed whereby we had received or will receive any fees or benefits from the Company, its subsidiaries, its associates or their respective substantial Shareholders or associates or any other parties who are interested in the Transactions. Accordingly, we consider that we are independent pursuant to Rule 13.84 of the Listing Rules.

BASIS OF OUR OPINION

In formulating our opinion, we have reviewed, amongst others, (i) the information set out in the announcement of the Company dated 20 July 2018 in relation to the entering of the CIMC Finance Capital Increase Agreement and the Huijie Equity Transfer Agreement; (ii) the information set out in the announcement of the Company dated 28 August 2018 in relation to the entering of the Tongchuang Equity Transfer Agreement; (iii) the CIMC Finance Capital Increase Agreement; (iv) the Huijie Equity Transfer Agreement; (v) the Tongchuang Equity Transfer Agreement; (vi) the annual report of the Company for the year ended 31 December 2017 (the "**Annual Report 2017**") and the interim report of the Company for the six months ended 30 June 2018 (the "**Interim Report 2018**"); and (vii) the information contained in the Circular. We have also enquired with and reviewed the information provided by the management of the Company regarding the Transactions, including but not limited to, the operations, financial conditions and prospects of CIMC Finance, Huijie and Tongchuang.

We have relied on the statement, information and representations contained or referred to in the Circular and the information, opinion and representations provided to us by the management of the Company and the Directors. We have assumed that all information, opinion and representations contained or referred to in the Circular and all statement, information and representations which have been provided by the management of the Company and the Directors, for which they are solely and wholly responsible, were true, accurate and complete at the time when they were made and continue to be so at the date hereof. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. The Directors collectively and individually accept full responsibility for the accuracy of the information in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respect and not misleading or deceptive, and there are no other facts the omission of which would make any statement in the Circular misleading. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

We relied on the Company that it has provided us sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Group, parties to the Transactions or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Transactions. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in the market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. Nothing contained in this letter should be construed as a recommendation to hold, sell or buy any shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is our responsibility to ensure that such information has been correctly extracted from the relevant sources while we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our advice to the Independent Board Committee and the Independent Shareholders in respect of the Transactions, we have taken the following principal factors and reasons into consideration:

1. Background of the Group and the parties involved in the Transactions

Background of the Group

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

On 23 April 2018, the Company completed the Pteris Acquisition. The Company has since then also engaged in the design, manufacturing and sale of the four major types of products below and provision of related services:

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

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

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

(4) baggage, material and warehouse handling systems ("**MHS**") which comprises systems for sorting, handling and transportation of different types of baggage, cargo and goods and materials.

The Pteris Acquisition has been accounted for as a reverse acquisition in accordance with Hong Kong Financial Reporting Standard ("**HKFRS**") 3 "*Business Combinations*". Accordingly, Pteris, being the legal subsidiary, was deemed to be the accounting acquirer while the Company, being the legal acquirer, was deemed to be the accounting acquiree for accounting purpose. The discussion and analysis for the six months ended 30 June 2018 below focuses on the new businesses to correspond with the consolidated financial statements for the six months ended 30 June 2018 and the financial figures for the six months ended 30 June 2017, which were for comparative purpose, represented those of Pteris.

Set out below is a summary of the consolidated statements of profit or loss and other comprehensive income of the Group for (i) the two years ended 31 December 2016 and 2017 ("**FY2016**" and "**FY2017**", respectively) as extracted from the Annual Report 2017; and (ii) the six months ended 30 June 2017 and the six months ended 30 June 2018 ("**HY2017**" and "**HY2018**", respectively) as extracted from the Interim Report 2018 (where the reverse acquisition accounting required under the Pteris Acquisition has been taken into effect):

	For the six months ended 30 June *(Note)*		**For the year ended 31 December**	
	2018	**2017**	**2017**	**2016**
	(unaudited)	*(unaudited)*	*(audited)*	*(audited)*
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	991,104	364,789	528,555	471,252
Profit/(Loss) before tax	74,792	(18,379)	28,903	24,872
Profit/(Loss) for the period/year	64,151	(16,796)	17,752	17,286
Profit/(Loss) for the period/year attributable to owners of the Company	58,451	(10,674)	17,752	17,286

Note: The reverse acquisition accounting required under the Pteris Acquisition has been taken into effect.

The revenue and net profit of the Group for FY2017 amounted to approximately RMB528.6 million and RMB17.8 million, respectively, representing increases of approximately 12.2% and 2.7% year on year, respectively, which were attributable to the increase in the sales of fire engines. As disclosed in the Annual Report 2017, the increased profit for FY2017 was owing to, in addition to the revenue growth, the increase in share of profit of the Group's associate in Germany due to its good financial performance.

For HY2018, the revenue of the Group increased by approximately 171.7% to approximately RMB991.1 million as compared to the corresponding period in 2017. As a result, the Group reported a net profit of approximately RMB64.2 million for HY2018, representing a turnaround from the net loss of approximately RMB16.8 million for the same period in 2017. The rise in revenue for HY2018 was mainly derived from the PBB business. The growth was partly due to the change in the accounting policies for revenue recognition when the new HKFRS 15 became applicable on 1 January 2018. Instead of recognising revenue once at the completion of installation, revenue of a PBB contract is segregated into two performance obligations, namely sale of goods (which is recognised when it is delivered and upon customers' confirmation of receipt) and installation services (which are recognised when installation works completed with customers' acceptance). Moreover, the Group has strengthened communication with customers to enhance and speed up the inspection and acceptance procedures such that more PBB contracts were completed (delivery of goods plus installation) for HY2018, resulting in the increase in revenue.

Set out below is a summary of the consolidated statements of financial position of the Group as at 31 December 2017 and 30 June 2018 as extracted from the Interim Report 2018:

	As at 30 June 2018 *(unaudited)* *RMB'000*	**As at 31 December 2017** *(Note)* *(audited)* *RMB'000*
Current assets	3,091,041	1,994,163
Current liabilities	2,058,486	1,555,501

Note: Reverse acquisition accounting has taken into effect and the figures of the items on the balance sheet as at 31 December 2017 as shown on Interim Report 2018 represented that of Pteris as at 31 December 2017.

As at 30 June 2018, current assets and current liabilities of the Group amounted to approximately RMB3,091.0 million and RMB2,058.5 million, representing increases of approximately 55.0% and 32.3%, respectively. We noted from the Interim Report 2018 that the current ratio was approximately 1.5 times as at 30 June 2018, representing an increase of approximately 15.4% as compared to approximately 1.3 times as at 31 December 2017. The increase in current ratio was mainly due to the enlargement of assets of the Group following the completion of the Pteris Acquisition. The Group's gearing ratio, which was calculated as interest bearing debt divided by total equity, was approximately 7.7% as at 31 December 2017 and 8.7% as at 30 June 2018, respectively. Higher gearing ratio for HY2018 was attributable to the loans borrowed and the issuance of convertible bonds to settle part of the consideration for Pteris Acquisition and Tianda Acquisition.

We noted from the Annual Report 2017 that, the Group will make further investments to seize every opportunity arising from the growth in the aviation industries, e-commerce and express delivery, and the fire industries. Future investments will include (i) the establishment of a new PBB factory in the United States; (ii) setting up of services companies for PBB in North America, Europe and the Middle East; (iii) new products developments; and (iv) other acquisition of companies or business that fit into the Group's strategies.

We consider that the investment in CIMC Finance can enhance the profitability of the Group by enjoying better financial support, such as more favourable loan rates and foreign exchange rates, as a result of extended financial service capability of CIMC Finance. The business expansion of CIMC Finance in turn benefits the Group's financial stability and business growth. Further, we believe that the investment in Huijie and Tongchuang can facilitate closer cooperation with Huijie and Tongchuang and allow the Group to benefit from economies of scale. Given the detailed factors to be discussed in the paragraph headed "2. Background of and reasons for the Transactions" below, we are of the view that the Transactions would improve the Group's financial performance in the long run.

The CIMC Finance Capital Increase

CIMC-Tianda Airport Support

CIMC-Tianda Airport Support is a company established in the PRC with limited liability and an indirect non-wholly owned subsidiary of the Company. It is principally engaged in the manufacturing and sale of electro-mechanical equipment for airports.

CIMC

CIMC is a joint stock company established in the PRC with limited liability, the A shares of which are listed on the Shenzhen Stock Exchange and the H shares of which are listed on the Main Board of the Hong Kong Stock Exchange. CIMC is principally engaged in the container manufacturing and service business, road transportation vehicle business, energy, chemical and food equipment business, offshore engineering business, airport facilities equipment business and fire safety business.

Southern CIMC Container

Southern CIMC Container is a company established in the PRC with limited liability and a direct wholly owned subsidiary of CIMC. It is principally engaged in the manufacturing and repairing of containers, production of related mechanical parts and components and equipment.

Enric Jingmen

Enric Jingmen is a company established in the PRC with limited liability and an indirect non-wholly owned subsidiary of CIMC. It is principally engaged in investment holding.

CIMC Modern Logistics

CIMC Modern Logistics is a company established in the PRC with limited liability and a direct wholly owned subsidiary of CIMC. It is principally engaged in the provision of international and domestic freight transportation agency services.

CIMC Finance

CIMC Finance is a company established in the PRC with limited liability. CIMC Finance is a banking financial institution established in the PRC and principally engaged in the provision of financial services to CIMC Group. CIMC Finance is principally engaged in the provision of (i) loans and advances to customers, discounted bills, deposits with banks and other financial institutions, investment securities; and (ii) consultancy and advisory services, entrusted loan services, guarantee and other agency services. CIMC Finance is currently a direct wholly owned subsidiary of CIMC. Upon completion of the CIMC Finance Capital Increase, CIMC Finance will be held as to 10.54% by CIMC-Tianda Airport Support and as to 54.35%, 21.09%, 7.01% and 7.01% by CIMC, Southern CIMC Container, Enric Jingmen and CIMC Modern Logistics respectively.

After completion of the CIMC Finance Capital Increase Agreement, CIMC-Tianda Airport Support shall be entitled to nominate one representative to act as a director of CIMC Finance.

The audited financial information of CIMC Finance for the six months ended 30 June 2018 and for the two years ended 31 December 2016 and 2017 prepared in accordance with the Hong Kong Financial Reporting Standards are set out below:

	For the six months ended 30 June		For the year ended 31 December	
	2018	2017	2017	2016
	(audited)	*(unaudited)*	*(audited)*	*(audited)*
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Profit before taxation	85,587	41,081	110,834	75,128
Profit after taxation	64,190	30,811	82,940	56,162

As at 31 December 2017 and 30 June 2018, the net asset value of CIMC Finance was RMB807,520,000 and RMB815,870,000 respectively.

The Huijie Equity Transfer

Allied Best (China)

Allied Best (China) is a company established in the PRC with limited liability and an indirect wholly owned subsidiary of the Company. It is principally engaged in the design and manufacturing of fire equipment.

CIMC Tianda (Shenzhen)

CIMC Tianda (Shenzhen) is a company established in the PRC with limited liability and an indirect wholly owned subsidiary of CIMC. It is principally engaged in the provision of consultancy services for corporate management and the development of airport equipment.

Huijie

Huijie is a limited liability company established in the PRC on 13 July 2018. It is a procurement company and principally engaged in providing procurement services. Its target customers are CIMC and its subsidiaries and business enterprises outside the CIMC Group. Huijie is mainly focused on ancillary materials for production such as chemical materials, paint, engine oil etc., hazardous waste treatment, and machinery repairing and maintenance services.

As Huijie is a newly established company, the registered capital of Huijie has not been fully paid up as at the Latest Practicable Date. Based on the unaudited management accounts of Huijie for the period from the date of its incorporation to 30 September 2018, the revenue of Huijie was approximately RMB1,477,000, which represented income generated from sales of plastic materials to an external customer, and Huijie's loss before taxation and loss after taxation for the period were both RMB12,669. The net asset value of Huijie as at 30 September 2018 was approximately RMB70 million which primarily represented the amount of registered capital contributed by its shareholders to date.

After completion of the Huijie Equity Transfer, Allied Best (China) shall be entitled to nominate one representative to act as a director of Huijie.

The Tongchuang Equity Transfer

Tongchuang

Tongchuang is a limited liability company established in the PRC in 2016. It is principally engaged in (i) sale and trading of steel and aluminum products; and (ii) provision of supply chain management services. Its target customers are CIMC and its subsidiaries and business enterprises outside the CIMC Group.

After completion of the Tongchuang Equity Transfer, Allied Best (China) shall not be entitled to nominate any representative to act as a director of Tongchuang.

The audited financial information of Tongchuang from the date of its incorporation to the year ended 31 December 2017 and for the six months ended 30 June 2018, prepared in accordance with the Hong Kong Financial Reporting standards, are set out below:

	For the six months ended 30 June		**From the date of incorporation to 31 December**
	2018	**2017**	**2017**
	(audited)	*(unaudited)*	*(audited)*
	RMB'000	*RMB'000*	*RMB'000*
Profit/(loss) before taxation	1,790	–	894
Profit/(loss) after taxation	1,342	–	670

The net asset value of Tongchuang as at 31 December 2017 and 30 June 2018 were RMB670,471 and RMB37,712,713 respectively. The significant increase in net asset value from 31 December 2017 to 30 June 2018 was primarily due to the registered capital of RMB35,700,000 paid up by CIMC Investment in 2018.

Tongchuang was established by CIMC Investment in March 2016 and therefore it involved no original acquisition cost of its holding of Tongchuang.

2. Background of and reasons for the Transactions

2.1 Reasons for the CIMC Finance Capital Increase

As disclosed in the Board's Letter, due to the limitation of the capital base of CIMC Finance, the scale of asset placement by CIMC Finance to support its customers has reached the regulatory limits, which has restrained the financial service capabilities and the business expansion of CIMC Finance. With the CIMC Finance Capital Increase, additional capital will be provided to CIMC Finance to further its business development plans. Upon completion of the CIMC Finance Capital Increase, the profit to be generated from the financial services by CIMC Finance will provide an additional income stream to the Group through its investment in CIMC Finance. The Board considers that CIMC Finance has a sound financial performance since its establishment and the contribution by the Group to the CIMC Finance Capital Increase can enhance the profitability of the Group through the investment in CIMC Finance and strengthen the relationship with CIMC Finance Capital which is expected to provide better financial support to the Group. With the continued business development and the expansion of the operation of CIMC Finance, the Board considers the contribution by the Group to the CIMC Finance Capital Increase is beneficial and conducive to business growth of the Group.

Based on the above, the Directors (including (1) the independent non-executive Directors whose opinions will be rendered after having obtained the advice from the Independent Financial Adviser; and (2) each of Mr. Li Yin Hui, Mr. Zheng Zu Hua, Mr. Luan You Jun and Mr. Yu Yu Qun, who is a Director nominated by CIMC, the indirect controlling shareholder of the Company, and has abstained from voting) are of the view that the entering into of the CIMC Capital Increase Agreement is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

We noted from the annual report of CIMC for the year ended 31 December 2017 that CIMC persisted its strategic positioning of "Manufacturing + Service + Finance", and the CIMC Group's financial business continued to carry out its strategic deployment for the integration of industry and finance across different business segments of the Group, aiming to support the CIMC Group's global integrated operations. We also noted from the interim report of CIMC for the six months ended 30 June 2018 that the CIMC Group's financial business is devoted to establishing a financial service system which matches the CIMC Group's strategic role as a leading manufacturer in the world, enhancing the efficiency and effectiveness of the CIMC Group's internal capital utilisation, and providing various financial service measures for the CIMC Group's strategy extension, business model innovation, industrial structure optimisation and overall competitiveness enhancement.

As advised by the management of the Company, having taken into account(i) that the CIMC Finance Capital Increase is in line with the abovementioned business strategies; (ii) the considerable amount of the capital injection of approximately RMB649.5 million; (iii) that CIMC Finance is under the development stage; and (iv) historical financial performance of CIMC Finance, CIMC has agreed not to exercise its pre-emptive rights and consented to the contributions to be made by the other parties to the CIMC Finance Capital Increase Agreement. Having considered the above reasons and that the business strategies of the CIMC Group will be beneficial to the overall business development of the Group (as a manufacturer of fire engines, firefighting equipment, airport equipment, automated parking systems and materials and warehouse handling systems in China) through efficient internal capital utilization, industrial structure optimization and overall competitiveness enhancement, we are of the view that the CIMC Finance Capital Increase is in the interests of the Company and the Independent Shareholders as a whole.

In order to assess the reasonableness and fairness in respect of the entering into of the CIMC Finance Capital Increase Agreement, we have taken into account the following key factors:

(1) Economic benefits

For our due diligence purpose, we have obtained and reviewed the relevant documents provided by the Company, including but not limited to the金融許可證 (Financial Business Permit*) issued by Shenzhen office of China Banking Regulatory Commission (the "**CBRC**", which is now known as China Banking Insurance Regulatory Commission, after merging with China Insurance Regulatory Commission) (中國銀行業監督管理委員會深圳監管局) to CIMC Finance, in relation to the approval for CIMC Finance's commencement of business and the scope of business concerned. Upon our review, we noted that CIMC Finance has been approved to conduct the following business activities:

a) providing its member entities with financial and financial advice services, credit authentication, and related consulting and agency services;

b) assisting member entities in collecting and paying transaction proceeds;

c) providing approved insurance agency services;

d) providing guarantees to its member entities;

e) handling entrusted loans and entrusted investments between member entities;

f) handling acceptance and discount of bills for member entities;

g) handling internal transfer settlement between member entities, and designing programmes for settlement and clearance accordingly;

h) taking deposits from member entities;

i) granting loans to and handling financing leases for member entities;

j) engaging in inter-bank borrowing;

k) underwriting enterprise bonds of the member entities;

l) investing in securities (other than secondary stock market);

m) undertaking consumer credit, buyer's credit and financing leasing for its member entities; and

n) engaging in the sale and purchase of spot foreign currencies.

As a member of the CIMC Group, the Company would be entitled to enjoy the abovementioned privileged financial services provided by CIMC Finance. We have enquired with the management of the Company in respect of the applicable interests, fees and financial charges under the provision of the financial services, and we were given to understand that:

(i) *for the deposit services:* The interest rates payable by CIMC Finance to the Group shall be the rate as may be agreed from time to time between the parties for each specific transaction provided that the agreed rate shall not be lower than the benchmark deposit interest rates prescribed by the People's Bank of China (the "**PBC**"), the central bank of the PRC, from time to time and the deposit interest rates provided by other independent third-party commercial banks in the PRC for deposits of the same term and type;

(ii) *for the loan services:* The interest rates payable by the Group to CIMC Finance shall be the rate as may be agreed from time to time between the parties for each specific transaction provided that the agreed rate shall be determined with reference to be the benchmark loan interest rates prescribed by the PBC from time to time and shall not be higher than the interest rates offered by other independent third-party commercial banks in the PRC for loans of the same term and type; and

(iii) *for other financial services:* The service fees and rates for such other financial services to be charged by CIMC Finance shall be the fee and rate as may be agreed from time to time between the parties for each specific transaction provided that the agreed fee and rate shall be no less favourable to the Group than the standard service fees or standard rates prescribed by the PBC from time to time (if any) or fees and rates charged by other independent third-party commercial banks in the PRC for the same term and type of services.

As such, we consider that the provision of financial services by CIMC Finance would allow the Company to enjoy more favourable terms as compared with the benchmark charge/ rate in the market, reducing the financial costs of the Company and thus enhancing the financial performance of the Group.

As disclosed in the Board's Letter, to the best knowledge, information and belief of the Directors having made all reasonable inquiry, the proceeds from the capital contribution by CIMC-Tianda Airport Support, together with the contributions to the registered capital of CIMC Finance made by the other parties of the CIMC Finance Capital Increase Agreement, totalling RMB649,464,307.58, will be applied primarily for (i) ensuring sufficiency of the capital and enhance the capital adequacy ratio of CIMC Finance, (ii) expanding CIMC Finance's asset management scale and service capabilities, including expanding the size of loans provided to CIMC and its subsidiaries, and improving other financial services such as bill acceptance and letter of guarantee and (iii) increasing the variety of financial services to be provided, including the foreign exchange derivatives business, equity investment in financial institutions, etc. Upon completion of the CIMC Finance Capital Increase, we believe that the enhanced capital adequacy and extended services capabilities of CIMC Finance will allow the Company to make use of CIMC Group's centralised financial management platform to obtain the low-cost intra-group financing for future development and have greater access to other financial services such as placing of new shares and issuance of debt securities.

As advised by the management of the Company, as a member of the CIMC Group, the Company could still make use of CIMC Group's centralized financial platform to obtain the low-cost intra group financing and access to other financial services without participating in the CIMC Finance Capital Increase. However, by participating in the CIMC Finance Capital Increase, the Company would obtain more support and services from the integration of industry and finance, which enhances the Company's business development and strengthens its risk prevention and control. Taking into account all the abovementioned benefits, we are of the view that the entering into of the CIMC Finance Capital Increase Agreement is in the interests of the Company and the Independent Shareholders as a whole.

(2) Overview of enterprise group finance companies

We have reviewed the "Measures for the Administration of Enterprise Group Finance Companies*" (《企業集團財務公司管理辦法》) (the "**Measures**") issued by the CBRC, which became effective from September 2004 and is currently the main laws regulating non-bank financial institution(s) ("**Enterprise Group Finance Company(ies)**") which provides financial management services for its group member companies (the "**Member Entities**") in order to centralise the management of group funds and improve the efficiency of use of funds. CIMC Finance, being the Enterprise Group Finance Company to the CIMC Group and responsible for the centralized management and optimization of the group's funding, is governed by the provisions of the Measures.

As set out in the Measures, the Member Entities include (i) any holding company; (ii) any subsidiaries in which a holding company holds at least 51% of the shares (i.e. subsidiary companies); (iii) any company in which 20% or more of the shares are held, either alone or together, by a holding company, its subsidiary companies or any other company in which a holding company and its subsidiary companies together hold less than 20% of the shares but are the largest shareholder nonetheless; and (iv) public institution juridical persons or social organisation juridical persons which are subordinate to the holding company or the subsidiary companies. Furthermore, an Enterprise Group Finance Company is required to satisfy the additional capital, operational and other financial requirements such as the minimum registered capital and liability/asset ratios. In accordance with the provisions of the Measures, the registered capital of an Enterprise Group Finance Company should be raised mainly from its Member Entities (despite that qualified institutional investors are also allowed to invest).

Having considered (i) CIMC Finance being the Enterprise Group Finance Company; and (ii) the Company being regarded as a Member Entity, we are of the view that the sourcing of funds from its Member Entities (in order to meet the minimum registered capital requirements for conducting certain new business activities) through the CIMC Finance Capital Increase is in line with the requirement as stipulated in the Measures, and thus the entering into of the CIMC Finance Capital Increase Agreement is fair and reasonable.

(3) Economic outlook in the PRC

With reference to the "Half-Yearly Monetary and Financial Stability Report (March 2018)" (the "**Report**") issued by the Hong Kong Monetary Authority, we noted that the PBC continued to maintain a prudent and neutral policy stance during the year of 2017. Reflecting authorities' determination to contain potential systemic risks through financial deleveraging, the interbank borrowing costs stayed elevated during the year of 2017 for both banks and non-bank financial institutions in the PRC. Tight interbank liquidity conditions in the PRC continued to push up the financing cost of end users during the year of 2017, with the weighted average interest rate of loans offered to non-financial enterprises and other sectors in the PRC further rising to around 5.7% in the fourth quarter of 2017 from 5.5% nine months earlier. Under the environment of increasing financing cost as stipulated by the fiscal and monetary policy in the PRC, the CIMC Finance Capital Increase would enable the Group to enjoy better financial support with privileged financial services provided by CIMC Finance at more favourable terms as described in the paragraph headed "(1) Economic benefits" above, which reduces the financing cost and enhances the profitability of the Group.

2.2 Reasons for the Huijie Equity Transfer

As disclosed in the Board's Letter, the Board believes that by injecting capital into Huijie, the Group can foster a closer relationship with Huijie and secure a consistent and reliable supply of ancillary materials and products and services from Huijie for the Group's production activities. Taking advantage of the solid relationship that CIMC has built up with the suppliers, Huijie has established robust sourcing channels and therefore is in a better position to obtain good quality products at more favourable terms from suppliers. The Board believes that this strategic relationship is beneficial to the business development of the Group and Huijie by allowing them to focus and leverage on their respective strengths in the industry and benefit from economies of scale. The Group can also enjoy more favourable prices on procurement and gains from the investment in Huijie.

As Huijie is an indirect non-wholly owned subsidiary of CIMC, which is the controlling shareholder of the Company and hence a connected person of the Company, the transactions in relation to the purchase of ancillary materials and services from Huijie will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. We have enquired with the management of the Company in respect of the pricing arrangement for the transactions in relation to the purchase of ancillary materials and services from Huijie, and we were given the understanding that such transactions would be made on no more favourable terms to the connected person, or no less favourable terms to the Group, than those available from independent third parties. The Company will comply with all relevant requirements of the Listing Rules in respect of transactions with Huijie.

To the best knowledge, information and belief of the Directors having made all reasonable inquiry, the proceeds from the capital contribution to be made by Allied Best (China), together with the contributions to the registered capital of Huijie made by other shareholders of Huijie, will be applied as (i) approximately RMB15,000,000 for the acquisition of a procurement company which provides consumables, tools and other equipment to members of the CIMC Group with a view to enhancing the variety of products and service capability of Huijie in future; and (ii) the remaining for working capital.

Accordingly, the Directors (including (1) the independent non-executive Directors whose opinions will be rendered after having obtained the advice from the Independent Financial Adviser; and (2) each of Mr. Li Yin Hui, Mr. Zheng Zu Hua, Mr. Luan You Jun and Mr. Yu Yu Qun, who is a Director nominated by CIMC, the indirect controlling shareholder of the Company, and has abstained from voting) are of the view that the entering into of the Huijie Equity Transfer Agreement is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

In order to assess the reasonableness and fairness in respect of the entering into of the Huijie Equity Transfer Agreement, we have taken into account the following key factors:

(1) The Group's investment strategy

As discussed in the paragraph headed "1. Background of the Group and the parties involved in the Transactions – Background of the Group", we noted that the Group will make further investments to seize every opportunity arising from the growth in the aviation industries, e-commerce and express delivery, and the fire industries and the Group will consider acquisition of companies or business that fit into the Group's strategies as one of the future investments. The principal businesses of Huijie are trading of ancillary materials for production such as chemical materials, paint, engine oil etc., provision of hazardous waste treatment services, and machinery repairing and maintenance services. We consider such procurement services, machinery repairing and maintenance services to be provided for the Group's production activities would allow the Group to focus and leverage on their respective strengths in the industry and benefit from economies of scale, which in turn facilitates the Group to seize opportunity arising from the growth in the aviation industries, e-commerce and express delivery, and the fire industries.

As such, we consider that the Huijie Equity Transfer is in line with the Group's investment strategy and it will help the Group to capture future growth opportunities. Thus, we are of the view that the investment in Huijie will enhance the capital gain, profitability and shareholders' value of the Group, which is in the interests of the Company and the Independent Shareholders as a whole.

(2) Synergy effect and vertical integration

As Huijie is a newly established company, we have enquired with the management of the Company in respect of the services to be rendered by Huijie to the Group, and we were given the understanding that Huijie would provide (i) ancillary materials for production, such as paint, lubricant oil, machinery equipment; and (ii) machinery repairing and maintenance and hazardous waste treatment services to the Company. Despite the short history of operation of Huijie, given that Huijie has established robust sourcing channels and therefore is in a better position to obtain good quality products at more favourable terms from suppliers, we consider that Huijie would secure a consistent and reliable supply of products and services to the Group. Through investing in the equity interests in Huijie, the Group could be in a better position to know and understand the business plan and development of Huijie, thus fostering a closer relationship with Huijie.

As disclosed in the Annual Report 2017, following the sale of the Group's first self-developed aerial lifting fire trucks, other models with longer working heights, like the 32-metre and 52-metre ladder trucks and aerial platform trucks, and the 60-metre jet spray fire trucks are under development. Given the new product development, the Group would procure more ancillary materials for production such as chemical materials, paint, engine oil, etc. Accordingly, we believe that a closer relationship with Huijie as a result of investing in Huijie would secure a consistent and reliable supply of ancillary materials and products and services from Huijie, which facilitates the stable production activities and continuous business development of the Group.

Besides, as set out in the Annual Report 2017, research is conducted on the application of new materials to reduce weight of fire engines, and on new design of components and parts to facilitate modularisation and product standardisation, in order to enhance manufacturing efficiency and reduce costs of production. Taking into account the principal businesses of Huijie (including procurement of ancillary materials for production such as chemical materials, paint, engine oil etc. and the provision of hazardous waste treatment services), we believe that, by investing in Huijie, the Group can implement vertical integration of production, which would bring synergy by reducing the overall production costs. Such integration also helps strengthen the production chain and minimize the wastage of products, enabling the company to keep upstream and downstream profits and eliminate intermediaries. In addition to the advantage of the economies of scale, the Group could leverage on their respective strengths in the industry, which is favourable to the Group's existing research being conducted on the application of new materials to reduce weight of fire engines.

In light of the above, we are of the view that the Group could enjoy satisfactory synergistic benefits from investing in Huijie, facilitating the stable production activities and continuous business development of the Group, which is in the interests of the Company and the Independent Shareholders as a whole.

2.3 Reasons for the Tongchuang Equity Transfer

Established in March 2016, Tongchuang is principally engaged in (i) sale and trading of steel and aluminum products; and (ii) provision of supply chain management services.

As disclosed in the Board's Letter, taking advantage of the solid relationship that CIMC has built up with the suppliers, Tongchuang has established strategic collaborations with major domestic steel plants in the PRC and is in an advantageous position to secure stable supply at favourable prices. The Board believes that by injecting capital into Tongchuang, the Group is able to establish a closer business relationship with Tongchuang and secure a consistent and reliable supply of quality steel products and services from Tongchuang for the Group's production activities. The Board believes that this strategic relationship is beneficial to the business development of the Group and Tongchuang by allowing them to focus and leverage on their respective strengths in the industry and benefit from economies of scale. The Group can also enjoy more favourable prices on procurement and gains from the capital investment in Tongchuang.

As Tongchuang is an indirect non-wholly owned subsidiary of CIMC, which is the controlling shareholder of the Company, and hence a connected person of the Company, the transactions in relation to the purchase of steel products and services from Tongchuang will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. We have enquired with the management of the Company in respect of the pricing arrangement for the transactions in relation to the purchase of steel products and services from Tongchuang, and we were given the understanding that such transactions would be made on no more favourable terms to the connected person, or no less favourable terms to the Group, than those available from independent third parties. The Company will comply with all relevant requirements of the Listing Rules in respect of transactions with Tongchuang.

To the best knowledge, information and belief of the Directors having made all reasonable inquiry, the proceeds from the capital contribution by Allied Best (China), together with the contributions to the registered capital of Tongchuang made by other shareholders of Tongchuang, will be used entirely for working capital of Tongchuang.

Accordingly, the Directors (including (1) the independent non-executive Directors whose opinions will be rendered after having obtained the advice from the Independent Financial Adviser; and (2) each of Mr. Li Yin Hui, Mr. Zheng Zu Hua, Mr. Luan You Jun and Mr. Yu Yu Qun, who is a Director nominated by CIMC, the indirect controlling shareholder of the Company, and has abstained from voting) are of the view that the entering into of the Tongchuang Equity Transfer Agreement is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

In order to assess the reasonableness and fairness in respect of the entering into of the Tongchuang Equity Transfer Agreement, we have taken into account the following key factors:

(1) The Group's investment strategy

As discussed in the paragraph headed "1. Background of the Group and the parties involved in the Transactions – Background of the Group", we noted that the Group will make further investments to seize every opportunity arising from the growth in the aviation industries, e-commerce and express delivery, and the fire industries and the Group will consider acquisition of companies or business that fit into the Group's strategies as one of the future investments. The principal businesses of Tongchuang are sale and trading of steel and aluminium products and provision of supply chain management service. We consider such services would allow the Group to focus and leverage on their respective strengths in the industry and benefit from economies of scale, which in turn facilitates the Group to seize opportunity arising from the growth in the aviation industries, e-commerce and express delivery, and the fire industries.

As such, we consider that the Tongchuang Equity Transfer is in line with the Group's investment strategy and it will help the Group to capture future growth opportunities. Thus, we are of the view that the investment in Tongchuang will enhance the capital gain, profitability and shareholders' value of the Group, which is in the interests of the Company and the Independent Shareholders as a whole.

(2) Synergy effect and vertical integration

As advised by the management of the Company, the main raw materials procured by the Group include steel and aluminum alloy. As Tongchuang is principally engaged in sale and trading of steel and aluminium products and provision of supply chain management service, the Company may procure steel and aluminium products from Tongchuang for its production. Despite the short history of operation of Tongchuang, given that Tongchuang has established strategic collaborations with major domestic steel plants in the PRC and is in an advantageous position to secure stable supply at favourable prices, we consider that Tongchuang would secure a consistent and reliable supply of products and services to the Group. Through investing in the equity interests in Tongchuang, the Group could be in a better position to know and understand the business plan and development of Tongchuang, thus fostering a closer relationship with Tongchuang.

As aforementioned in the paragraph headed "2.2 Reasons for the Huijie Equity Transfer", following the sale of the Group's first self-developed aerial lifting fire trucks, other models with longer working heights are under development. Given the new product development, the Group would procure various steel and aluminium products for production. Accordingly, we believe that a closer relationship with Tongchuang as a result of investing in Tongchuang would secure a consistent and reliable supply of products and services from Tongchuang, which facilitates the stable production activities and continuous business development of the Group.

Also, as discussed previously, research is conducted on the application of new materials to reduce weight of fire engines, and on new design of components and parts to facilitate modularisation and product standardisation, in order to enhance manufacturing efficiency and reduce costs of production. Taking into account the principal businesses of Tongchuang (including supply chain management and sales services for various steel and aluminium products), we believe that, by investing in Tongchuang, the Group can implement vertical integration of production, which would bring synergy by reducing the overall production costs. Such integration also helps strengthen the production chain, enabling the company to keep upstream and downstream profits and eliminate intermediaries. In addition to the advantage of the economies of scale, the Group could leverage on their respective strengths in the industry, which is favourable to the Group's existing research being conducted on the application of new materials to reduce weight of fire engines.

In light of the above, we are of the view that the Group could enjoy satisfactory synergistic benefits from investing in Tongchuang, facilitating the stable production activities and continuous business development of the Group, which is in the interests of the Company and the Independent Shareholders as a whole.

3. The CIMC Finance Capital Increase Agreement

Principal terms of the CIMC Finance Capital Increase Agreement

Date

20 July 2018 (after trading hours)

Parties

a) CIMC
b) Southern CIMC Container
c) CIMC-Tianda Airport Support
d) Enric Jingmen
e) CIMC Modern Logistics

CIMC, Southern CIMC Container, Enric Jingmen and CIMC Modern Logistics are connected persons of the Company under Chapter 14A of the Listing Rules.

Capital Contribution and Consideration

Pursuant to the CIMC Finance Capital Increase Agreement, Southern CIMC Container, CIMC-Tianda Airport Support, Enric Jingmen and CIMC Modern Logistics will make cash contributions to the increase in the registered capital of CIMC Finance by RMB420,000,000, of which:

a) Southern CIMC Container agreed to subscribe for registered capital of RMB194,000,000 for a consideration of RMB299,990,656.36;

b) CIMC-Tianda Airport Support agreed to subscribe for registered capital of RMB97,000,000 for a consideration of RMB149,995,328.18;

c) Enric Jingmen agreed to subscribe for registered capital of RMB64,500,000 for a consideration of RMB99,739,161.52; and

d) CIMC Modern Logistics agreed to subscribe for registered capital of RMB64,500,000 for a consideration of RMB99,739,161.52.

The total consideration for Southern CIMC Container, CIMC-Tianda Airport Support, Enric Jingmen and CIMC Modern Logistics subscribing the registered capital of RMB420,000,000 amounts to approximately RMB649,464,307.58, representing the excess of the consideration over the registered capital contributed by each of the above parties of approximately RMB229,464,307.58. The excess of the consideration over the registered capital contributed by each of the above parties will be allocated to the capital reserves of CIMC Finance.

Basis of consideration with reference to the net assets value of CIMC Finance as at 31 December 2017

As set out in the Board's Letter, the parties to the CIMC Finance Capital Increase Agreement has taken the net asset value of CIMC Finance as at 31 December 2017 as the basis in determining the amount of capital contributions to the CIMC Finance Capital Increase. The net asset value of CIMC Finance as at 31 December 2017 was RMB773,171,794.73, represented by the registered capital of RMB500,000,000 and capital reserves of RMB273,171,794.73 after deducting profit distributable to the shareholders of CIMC Finance of RMB34,347,922.80 for the year ended 31 December 2017. The net asset value per registered capital at 31 December 2017 was approximately RMB1.5463 (RMB773,171,794.73/RMB500,000,000). The consideration for the contributions by the Group to the CIMC Finance Capital Increase is therefore RMB149,995,328.18 (RMB97,000,000×RMB773,171,794.73/RMB500,000,000), of which RMB97,000,000 represents contribution to the registered capital and RMB52,995,328.18 will be allocated to the capital reserves of CIMC Finance.

The net asset value of CIMC Finance as at 30 June 2018 was approximately RMB816,748,000. Assuming that the contributions by the relevant parties to the CIMC Finance Capital Increase Agreement, which amount to RMB649,464,307.58, had been completed on 30 June 2018, the Group's share of the net assets of CIMC Finance as at 30 June 2018 would have been approximately RMB154,539,000 (10.54% × (RMB816,748,000 + RMB649,464,307.58)) which would result in a negative goodwill of approximately RMB4,544,000 (RMB154,539,000 – RMB149,995,328.18) as illustrated in note 2 to the Unaudited Pro Forma Financial Information of the Enlarged Group set out in Appendix III to this circular. The consideration of RMB149,995,328.18 paid by the Group therefore represents a discount of approximately 2.94% to its share of CIMC Finance's net asset value as at 30 June 2018, which is considered to be favourable to the Group.

We have reviewed the audited report of CIMC Finance for FY2017 and the accountant's report of CIMC Finance as set out in Appendix IIA to the Circular. As at 31 December 2017, the net assets value of CIMC Finance was RMB807,520,000. Moreover, with reference to "Note 24 – Reserves" to the financial statements in the accountant's report of CIMC Finance for the three financial years ended 31 December 2017 and the six months ended 30 June 2018, we noted that CIMC Finance had been declaring dividends since 2015, and the dividends declared of approximately RMB34.3 million had deducted from the retained earnings as at 1 January 2018. After deducting the profit distributable to the shareholders of CIMC Finance (i.e. the dividend declared and distributed to the existing shareholder of CIMC Finance, namely CIMC) of

RMB34,347,922.80, the net assets value of CIMC Finance is adjusted from RMB807,519,717.53 to RMB773,171,794.73 for FY2017 (the "**Adjusted NAV**"). On the basis of the (i) Adjusted NAV of RMB773,171,794.73; and (ii) existing registered capital of CIMC Finance of RMB500,000,000, before the CIMC Finance Capital Increase, the Adjusted NAV per registered capital of CIMC Finance was RMB1.5463 per registered capital. We have further obtained from the Company and reviewed the CIMC Finance Capital Increase Agreement, we noted that the subscription price for each registered capital was RMB1.5463 per registered capital which was determined on the abovementioned basis.

Assuming the completion of the CIMC Finance Capital Increase being completed on 31 December 2017 and the registered capital being fully-paid, the net assets value of CIMC Finance would increase by RMB649,464,307.58 (representing the total amount of the consideration for the contributions to be made by the parties of the CIMC Finance Capital Increase Agreement) to RMB1,422,636,102.31. Accordingly, upon completion of the CIMC Finance Capital Increase (assuming the completion of the CIMC Finance Capital Increase being completed on 31 December 2017 and the registered capital being fully-paid), the net assets value per registered capital of CIMC Finance would be RMB1.5463, on the basis of the (i) net assets value of CIMC Finance of RMB1,422,636,102.31; and (ii) registered capital of CIMC Finance of RMB920,000,000.

Given that (i) each of the parties making contributions to the increase in the registered capital of CIMC Finance is based on the same subscription price of RMB1.5463 per registered capital; and (ii) the subscription price is equivalent to (a) the Adjusted NAV per registered capital of CIMC Finance prior to the CIMC Finance Capital Increase; and (b) the net assets value per registered capital of CIMC Finance upon completion of CIMC Finance Capital Increase, we consider that the basis of consideration for the CIMC Finance Capital Increase is fair and reasonable without prejudice against the Independent Shareholders.

Consideration as compared to the net assets value of CIMC Finance as at 30 June 2018

In assessing the consideration for the CIMC Finance Capital Increase, we have further taken into account the net assets value of CIMC Finance as at 30 June 2018. The net assets value of CIMC Finance increased from approximately RMB807.5 million as at 31 December 2017 to RMB815.9 million as at 30 June 2018. As such, on the basis of the (i) net assets value of CIMC of approximately RMB815,870,000 as at 30 June 2018; and (ii) existing registered capital of CIMC Finance of RMB500,000,000, before the CIMC Finance Capital Increase, the net assets value of CIMC as at 30 June 2018 per registered capital of CIMC Finance was RMB1.6317 per registered capital.

As discussed above, we noted from the CIMC Finance Capital Increase Agreement that the subscription price for each registered capital was RMB1.5463 per registered capital, representing a discount of 5.23% to the net assets value per registered capital of CIMC Finance as at 30 June 2018. In view that the subscription price per registered capital represents a discount to the net assets value per registered capital of CIMC Finance as at 30 June 2018, we are of the view that the consideration for the CIMC Finance Capital Increase is fair and reasonable without prejudice against the Independent Shareholders.

Shareholding Structure of CIMC Finance

The following table shows the registered capital and shareholding structure of CIMC Finance before and after the CIMC Finance Capital Increase:

	Before the CIMC Finance Capital Increase		After the CIMC Finance Capital Increase	
	Registered capital of CIMC Finance *(RMB)*	Percentage of shareholding in CIMC Finance *(%)*	Registered capital of CIMC Finance *(RMB)*	Percentage of shareholding in CIMC Finance *(%)*
Shareholders				
CIMC	500,000,000	100.00	500,000,000	54.35
Southern CIMC Container	–	–	194,000,000	21.09
CIMC-Tianda Airport Support	–	–	97,000,000	10.54
Enric Jingmen	–	–	64,500,000	7.01
CIMC Modern Logistics	–	–	64,500,000	7.01
Total	**500,000,000**	**100.00**	**920,000,000**	**100.00**

For the schedule of the injections of capital contribution of the parties to the CIMC Finance Capital Increase Agreement, please refer to the paragraph headed "2. The Transactions – (1) The CIMC Finance Capital Increase Agreement – Regulatory and Shareholders' Approvals" in the Board's Letter.

Pre-emptive Rights

For the purpose of the CIMC Finance Capital Increase, CIMC has agreed not to exercise its pre-emptive rights and consented to the contributions to be made by the other parties to the CIMC Finance Capital Increase Agreement.

4. The Huijie Equity Transfer Agreement

Principal terms of the Huijie Equity Transfer Agreement

Date

20 July 2018 (after trading hours)

Parties

a) CIMC Tianda (Shenzhen)
b) Allied Best (China)

CIMC Tianda (Shenzhen) is a connected person of the Company under Chapter 14A of the Listing Rules.

Consideration

CIMC Tianda (Shenzhen) was one of the original shareholders at the time of the establishment of Huijie and has not made its capital contribution of RMB10,000,000 to the registered capital of Huijie as at the date of the Huijie Equity Transfer Agreement. Accordingly, the consideration for the Huijie Equity Transfer is nil and Allied Best (China) shall instead assume the obligation of CIMC Tianda (Shenzhen) to contribute RMB10,000,000 to the registered capital of Huijie upon completion of the Huijie Equity Transfer. The Huijie Sale Shares represent 10% equity interest in Huijie.

The following table shows the registered capital and shareholding structure of Huijie before and after the Huijie Equity Transfer:

	Before the Huijie Equity Transfer		After the Huijie Equity Transfer	
	Registered capital of Huijie *(RMB)*	Percentage of shareholding in Huijie *(%)*	Registered capital of Huijie *(RMB)*	Percentage of shareholding in Huijie *(%)*
Shareholders				
CIMC Investment	40,000,000	40	40,000,000	40
CIMC Technology	25,000,000	25	25,000,000	25
Enric Shenzhen	10,000,000	10	10,000,000	10
CIMC Tianda (Shenzhen)	10,000,000	10	–	–
Shenzhen Shangyi	15,000,000	15	15,000,000	15
Allied Best (China)	–	–	10,000,000	10
Total	**100,000,000**	**100.00**	**100,000,000**	**100.00**

For our due diligence purpose, we have reviewed the Huijie Equity Transfer Agreement. We noted from the Huijie Equity Transfer Agreement that the consideration for the Huijie Equity Transfer is nil and Allied Best (China) is required to fulfill the obligation to contribute RMB10,000,000 to the registered capital of Huijie, representing RMB1 per each registered capital. Given the Huijie Sale Shares are transferred from CIMC Tianda (Shenzhen) to Allied Best (China) at nil consideration without additional capital to be contributed to Huijie, which merely represents a change of shareholder, there would be no effect on the net assets value of Huijie upon completion of the Huijie Equity Transfer.

Huijie was established on 13 July 2018, the registered capital of which has not been fully paid up as at the Latest Practicable Date. Taking into account that the registered capital of Huijie is not fully-paid up, and the fact that Huijie is newly established with very short trading history, we consider that it might not be representative to compare the consideration to the net assets value. However, as long as (i) the consideration for the Huijie Equity Transfer is nil; and (ii) Allied Best (China) is only required to fulfill the obligation of to contribute RMB10,000,000 to the registered capital of Huijie, we are of the view that the terms of the Huijie Equity Transfer Agreement are on normal commercial terms and fair and reasonable without prejudice against the Independent Shareholders. Given that the Huijie Equity Transfer is beneficial to the Company as discussed in the paragraph headed "2. Background of and reasons for the Transactions – 2.2 Reasons for the Huijie Equity Transfer", we consider the Huijie Equity Transfer is fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

Pre-emptive Rights

For the purpose of the Huijie Equity Transfer, the other existing shareholders of Huijie, namely CIMC Investment, CIMC Technology, Enric Shenzhen and Shenzhen Shangyi, have agreed not to exercise their pre-emptive rights to purchase the Huijie Sale Shares.

Completion

Completion will take place on the date of the completion of the relevant registration for the change of shareholder of Huijie from CIMC Tianda (Shenzhen) to Allied Best (China) in respect of the Huijie Equity Transfer with the relevant business registration authority and after the conditions precedent are satisfied. Please refer to the paragraph headed "2. The Transactions – (2) The Huijie Equity Transfer Agreement – Conditions Precedent" in the Board's Letter for the conditions precedent. The completion of the Huijie Equity Transfer shall be no later than 31 December 2018 or any other date as agreed between CIMC Tianda (Shenzhen) and Allied Best (China).

5. The Tongchuang Equity Transfer Agreement

Principal terms of the Tongchuang Equity Transfer Agreement

Date

28 August 2018 (after trading hours)

Parties

a) CIMC Tianda (Shenzhen)
b) Allied Best (China)

CIMC Tianda (Shenzhen) is a connected person of the Company under Chapter 14A of the Listing Rules.

Consideration

CIMC Tianda (Shenzhen) has only acquired the Tongchuang Sale Shares by way of subscription by entering in the Tongchuang Capital Increase Agreement on 20 July 2018 and has not made its contribution of RMB10,000,000 to the registered capital of Tongchuang as at the date of the Tongchuang Equity Transfer Agreement. Accordingly, the consideration for the Tongchuang Equity Transfer is nil and Allied Best (China) shall instead assume the obligation of CIMC Tianda (Shenzhen) to contribute RMB10,000,000 to the registered capital of Tongchuang upon completion of the Tongchuang Equity Transfer. The Tongchuang Sale Shares represent 5% equity interest in Tongchuang.

The following table shows the registered capital and shareholding structure of Tongchuang before and after the Tongchuang Equity Transfer:

	Before the Tongchuang Equity Transfer		After the Tongchuang Equity Transfer	
	Registered capital of Tongchuang	**Percentage of shareholding in Tongchuang**	**Registered capital of Tongchuang**	**Percentage of shareholding in Tongchuang**
	(RMB)	*(%)*	*(RMB)*	*(%)*
Shareholders				
CIMC Investment	70,000,000	35	70,000,000	35
CIMC Technology	50,000,000	25	50,000,000	25
CIMC Vehicle	20,000,000	10	20,000,000	10
Enric Shenzhen	20,000,000	10	20,000,000	10
CIMC Tianda (Shenzhen)	10,000,000	5	–	–
Shenzhen Qili	30,000,000	15	30,000,000	15
Allied Best (China)	–	–	10,000,000	5
Total	**200,000,000**	**100.00**	**200,000,000**	**100.00**

For our due diligence purpose, we have reviewed the Tongchuang Equity Transfer Agreement. We noted from the Tongchuang Equity Transfer Agreement that the consideration for the Tongchuang Equity Transfer is nil and Allied Best (China) is required to fulfill the obligation to contribute RMB10,000,000 to the registered capital of Tongchuang, representing RMB1 per each registered capital. Given the Tongchuang Sale Shares are transferred from CIMC Tianda (Shenzhen) to Allied Best (China) at nil consideration without additional capital to be contributed to Tongchuang, which merely represents a change of shareholder, there would be no effect on the net assets value of Tongchuang upon completion of the Tongchuang Equity Transfer.

The net asset value of Tongchuang as at 31 December 2017 and 30 June 2018 were RMB670,471 and RMB37,712,713 respectively. With reference to "Note 13 – Share Capital" to the financial statements in the accountants report of Tongchuang for the period from 22 March 2016 (date of incorporation) to 31 December 2016, the financial year ended 31 December 2017 and the six months ended 30 June 2018, we noted that the registered capital of Tongchuang has not been fully-paid (the actual paid up capital amounts to RMB35,700,000) as at 30 June 2018. According to the financial information of Tongchuang, the net assets value of Tongchuang as at 30 June 2018 comprised the (i) share capital of RMB35,700,000; and (ii) reserves of approximately RMB2,012,713 (which represents the aggregate amount of a profit after taxation of approximately RMB670,471 for the year ended 31 December 2017 and RMB1,342,242 for the six months ended 30 June 2018).

While Tongchuang recorded the reserves of approximately RMB2,012,713 as at 30 June 2018 due to the accumulated profits from the date of incorporation to 30 June 2018, the consideration for the Tongchuang Equity Transfer is nil, and Allied Best (China) is only required to fulfill the obligation to contribute RMB10,000,000 to the registered capital of Tongchuang. Having taken into account the above, we are thus of the view that the terms of the Tongchuang Equity Transfer Agreement are on normal commercial terms and fair and reasonable without prejudice against the Independent Shareholders. Given that the Tongchuang Equity Transfer is beneficial to the Company as discussed in the paragraph headed "2. Background of and reasons for the Transactions – 2.3 Reasons for the Tongchuang Equity Transfer", we consider the Tongchuang Equity Transfer is fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

Pre-emptive Rights

For the purpose of the Tongchuang Equity Transfer, the other existing shareholders of Tongchuang, namely CIMC Investment, CIMC Technology, CIMC Vehicle, Enric Shenzhen and Shenzhen Shangyi, have agreed not to exercise their pre-emptive rights to purchase the Tongchuang Sale Shares.

Completion

Completion will take place on the date of the completion of the relevant procedures for the registration for the change of shareholder of Tongchuang from CIMC Tianda (Shenzhen) to Allied Best (China) in respect of the Tongchuang Equity Transfer with the relevant business registration authority in the PRC and after the conditions precedent are satisfied. Please refer to the paragraph headed "2. The Transactions – (3) The Tongchuang Equity Transfer Agreement-Conditions Precedent" in the Board's Letter for the conditions precedent. The completion of the Tongchuang Equity Transfer shall be no later than 31 December 2018 or any other date as agreed between CIMC Tianda (Shenzhen) and Allied Best (China).

6. Financial effect of the Transactions

Assets and liabilities

Based on the unaudited pro forma financial information of the Enlarged Group as set out in Appendix III to this circular, assuming the Transactions had taken place on 30 June 2018, the total assets of the Group would have increased from approximately RMB5,134 million to approximately RMB5,136 million and there would be no change in the total liabilities of the Group.

Earnings

Upon completion of the Transactions, CIMC Finance and Huijie are expected to be accounted for as associated companies of the Group and their results will be equity accounted for in the consolidated financial statements of the Group. The equity investment in Tongchuang is expected to be accounted for as a financial asset of the Group. In light of the potential future benefits and prospects of the Transactions as stated in the section headed "Reasons for and benefits of entering into the Transactions" above, the Directors are of the view that, taking into account the professional fees to be incurred for the Transactions including but not limited to the audit fee and legal fee, the Transactions will likely contribute positively to the Group. However, the actual effect on earnings will depend on the future financial performance of CIMC Finance, Huijie and Tongchuang.

OPINION AND RECOMMENDATION

Having taken into account the above principal factors and reasons, we are of the opinion that the entering into of the CIMC Finance Capital Increase Agreement, the Huijie Equity Transfer Agreement and the Tongchuang Equity Transfer Agreement and the terms of the Transactions are fair and reasonable so far as the Company and the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. We therefore advise the Independent Board Committee to recommend the Independent Shareholders and we recommend the Independent Shareholders to vote in favour of the resolution(s) in this regard.

Yours faithfully,
For and on behalf of
China AF Corporate Finance Limited
Kevin Chan
Director

Mr. Kevin Chan is a person licensed under the SFO to carry out Type 6 (advising on corporate finance) regulated activity and regarded as a responsible officer of China AF Corporate Finance Limited who has over 19 years of experience in corporate finance industry.

I. FINANCIAL INFORMATION OF THE GROUP FOR THE THREE FINANCIAL YEARS ENDED 31 DECEMBER 2017

Financial information of the Group for the three years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2018 are disclosed on pages 34 to 123 of the annual report of the Company for the year ended 31 December 2015, pages 39 to 115 of the annual report for the year ended 31 December 2016, pages 43 to 111 of the annual report for the year ended 31 December 2017, and pages 1 to 32 of the interim report for the six months ended 30 June 2018, all of which are published on the website of the Stock Exchange at http://www.hkexnews.hk/. Quick links to the annual reports of the Company are set out below:

Annual report of the Company for the year ended 31 December 2015:
http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0421/LTN20160421240.pdf

Annual report of the Company for the year ended 31 December 2016:
http://www.hkexnews.hk/listedco/listconews/SEHK/2017/0419/LTN20170419289.PDF

Annual report of the Company for the year ended 31 December 2017:
http://www.hkexnews.hk/listedco/listconews/SEHK/2018/0427/LTN20180427660.PDF

Interim report of the Company for the year ended 30 June 2018:
http://www.hkexnews.hk/listedco/listconews/SEHK/2018/0906/LTN20180906697.PDF

II. INDEBTEDNESS

Borrowings

As at 31 August 2018, being the latest practicable date for the purpose of this indebtedness statement prior to the date of this circular, the Group had outstanding borrowings of RMB630.36 million, which comprised:

(i) Unsecured and unguaranteed bank borrowings of RMB144.92 million;

(ii) Unsecured loan from related party of RMB391.43 million;

(iii) Unsecured and unguaranteed convertible bonds (liabilities portion) of RMB82.90 million; and

(iv) Letter of credit of RMB11.11 million.

Contingent liabilities

As of 31 August 2018, the Group had issued a letter of guarantee amounting to RMB1,047.01 million.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, as of 31 August 2018, being the latest practicable date for determining indebtedness, the Group did not have any outstanding mortgages, charges, debentures, debt securities or other loan capital or bank overdrafts or loans or other similar indebtedness or finance lease commitments, liabilities under acceptances (other than normal trade bills) or acceptance credits or hire purchase commitments or guarantees or other material contingent liabilities.

III. WORKING CAPITAL

The Directors are of the opinion that, after due and careful enquiry, taking into account the financial resources available to the Enlarged Group, including internally generated funds, existing bank and other borrowings and the available facilities, the Enlarged Group has sufficient working capital to meet its present requirements for at least the next 12 months from the date of this circular.

IV. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 30 June 2018, being the date to which the latest published unaudited consolidated financial statements of the Group were made up.

V. OUTLOOK AND PROSPECTS OF THE GROUP

Upon completion of the Pteris Acquisition in April 2018, there has been an expansion to the Group's business scope. In addition to the fire engines and fire equipment, it has since then been also engaged in the design, manufacturing and sale of the four major types of products below and provision of related services.

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

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

3) Automated parking systems (APS), including vertical lifting parking systems, aisle stacking parking systems, vertical and horizontal carriage parking systems and lift-only parking systems; and

4) Baggage, material and warehouse handling systems (MHS) which comprises systems for sorting, handling and transportation of different types of baggage, cargo and goods and materials.

For the Passenger Boarding Bridges (PBB), the Group ranked the second largest supplier of passenger boarding bridges in the world in terms of revenue in 2016 and occupied over 90% market share in China. To maintain its leading position, the Group is dedicated to develop new value-added products. The Smart Bridge System and Visual Docking Guidance System (VDGS), launched in the last quarter of 2017, were designed to guide the aircraft docking and the connection of passengers boarding bridges to aircraft doors automatically with no manual intervention so as to enhance the reliability and to save labour costs. They are pioneer artificial intelligence products in the global field of airport operations and are expected to bring the Group momentum for further growth.

For the APS business, the mechanical smart bus parking garage (機械式智慧公交車立體停車庫), which is initiated and designed by the Group to solve the land cost problem for public bus parking, is expected to secure the first sales order in the second half of 2018.

Since the Group acquired the sorting devices technology in 2017, the MHS business has expanded and diversified from baggage and cargo handling in airports to e-commerce and express delivery which involves the sorting and handling of millions of parcels. The Group has also developed the automated warehousing system which allows the stacking, shelving, sorting, retrieving and delivery in a warehouse all made automatic through an intelligent management system. The broadened market coverage has pushed up the amount of contracts secured and expanded the customer base. The Group has secured and completed the contracts from SF Express and Deppon Express and also warehouse management contract from Holike, a renowned custom-made home furniture manufacturer in the PRC.

To speed up the development of the fire engines and equipment business, the Group has been powering up its product development capability and extending its geographical range through strengthening its internal development function and acquisitions. The Group has entered into an agreement to acquire 60% equity interests in Shenyang Jietong Fire Truck Co., Ltd. (瀋陽捷通消防車有限公司), a leading manufacturer of aerial lifting fire trucks in the PRC. Upon completion of the acquisition, in addition to the enlarged market, production capacity and product variety, it is anticipated that the technological know-how obtained would complement the Group's product under development like the 60-metre jet spray fire trucks and 6 × 6 airport foam fire trucks.

Besides, to seize the potential market arising from the possible massive upgrade and replacement of airport fire engines in China in the coming years, the Group is speeding up its development of the airport rapid mobilisation fire trucks, which are designed with rapid speed acceleration to tackle fire on aircrafts running at high speed. Research is also conducted on the application of new materials to reduce weight of fire engines, and on new design of components and parts to facilitate modularisation and product standardisation, in order to enhance manufacturing efficiency and reduce costs of production.

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

VI. LIQUIDITY AND CAPITAL RESOURCES

The Group's net cash and bank balances at 30 June 2018 were approximately RMB218 million (2017: RMB108 million) and were broken down as follows:

	At 30 June 2018	At 31 December 2017
	RMB'000	*RMB'000*
Cash and bank balances	379,402	220,340
Pledged bank deposits	10,289	518
	389,691	220,858
Borrowings:		
– from bank	(112,116)	(112,731)
– from a fellow subsidiary	(60,000)	–
	(172,116)	(112,731)
Net cash and bank balances	217,575	108,127

The pledged bank deposits at 30 June 2018 were mainly pledged for bid bond guarantee, performance guarantee and guarantee for letter of credit issued, which will be released in short period of time. During the period under review, major cash inflow items include (i) the proceeds of approximately RMB197 million from the issuance of 673,225,000 new shares of the Company at HKD0.366 each for cash; and (ii) loans amounted to RMB60 million borrowed from CIMC Finance for working capital purpose. The Group had a net cash outflow from operating activities during the six months ended 30 June 2018 because of the increase in number of contracts and average size of projects which led to (i) the increasing projects in progress (revenue not recognized yet) and related inventories at 30 June 2018; and (ii) the increase in accounts receivables for projects completed during the period ended 30 June 2018, especially quite a large amount of which were accepted by customers in May and June, time close to the period end date, which takes time to settle the receivables.

The Group's borrowings outstanding as at 30 June 2018 were all repayable by end of 2018 and 2019. Their repayment is expected to be financed by internal funds generated from operating activities and new bank loans. As at 30 June 2018, current assets and current liabilities of the Group were approximately RMB3,091 million (31 December 2017: RMB1,994 million) and RMB2,058 million (31 December 2017: RMB1,556 million) respectively. The current ratio was approximately 1.5 times (31 December 2017: 1.3 times). The increase in current ratio was mainly due to the enlargement of assets of the Group following the completion of the Pteris Acquisition. The Group's gearing ratio, which was calculated as interest bearing debt/total equity, was 8.7% at 30 June 2018 (31 December 2017: 7.7%). Higher gearing ratio was due to the loans borrowed during the period and the issuance of convertible bonds to settle part of the consideration for Pteris Acquisition and Tianda Acquisition.

Capital commitment

As at 30 June 2018, the Group had capital commitment in respect of:

(i) Construction of factory premises amounted to approximately RMB76 million (31 December 2017: RMB158 million) (amount approved but not contracted for); and

(ii) Investment amount committed to the local government of the county in Sichuan where one of the Group's factories is located was approximately RMB6 million (31 December 2017: RMB7 million). The investment commitment was made when the land for factory, which commenced operation in 2008, was acquired and included amount invested in land development, factory construction, equipment acquisition and other investments made for production start-up.

Save as disclosed herein, the Group had no material capital commitment, contingent liabilities and pledge of assets as at 30 June 2018 and had no material investments, acquisitions or disposals during the six months ended 30 June 2018.

VII. EXCHANGE RISK

The Group mainly uses RMB as its operating currency. Some of the Group's revenue and costs and expenses are settled in currencies other than the functional currencies of the Group's subsidiaries. To mitigate exposure to exchange rates volatility, the Group enters into forward foreign currency contracts. As at 30 June 2018, the Group has outstanding forward exchange contracts: sell Euro/buy RMB and sell USD/buy Singaporean dollar.

VIII. SEGMENT INFORMATION

The Group has the following three reportable segments:

– Passengers boarding bridge, ground support equipment and automated parking system: the manufacture and sales of passenger boarding bridges, airport group support equipment and automated vehicle parking systems;

– Logistic system business: the provision of engineering and computer software solutions for airport logistics, e-commerce, express delivery and warehousing; and

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

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different production techniques and marketing strategies. The Group' Chief Executive Officer ("CEO") manages and monitors the businesses of each business units and reviews the internal management reports on a quarterly basis at least. Reportable segments are identified based on the reports reviewed by the CEO that are used for making strategic decisions, allocating resources and assessing performance.

IX. EMPLOYEES AND REMUNERATION POLICIES

For the six months ended 30 June 2018, the Group had 2,393 staff (2017: 2,158) and incurred staff costs (excluding directors' remuneration) of approximately RMB157 million (2017: RMB138 million). Number of staff increased mainly due to the business combination of CFE and Pteris and additional staff hired due to increased orders delivery, especially for PBB and MHS. Apart from the increase in number of staff, staff costs rose because of annual salaries adjustments and additional social security funds contributions due to base increment. Staff are remunerated by a monthly salaries payment plus performance incentives payable quarterly or yearly. All full-time employees are entitled to medical, provident funds and housing funds contributions. The Group adopted share option schemes which offer eligible employees an incentive for better performance and loyalty with the Group.

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

The following is the text of a report set out on pages II(A)-1 to II(A)-3, received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

pwc 羅兵咸永道

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

Introduction

We report on the historical financial information of CIMC Finance Company Ltd. ("CIMC Finance") set out on pages II(A)-4 to II(A)-74, which comprises CIMC Finance's statements of financial position as at 31 December 2015, 2016 and 2017 and 30 June 2018, and the statements of profit or loss, the statements of comprehensive income, the statements of changes in equity and the statements of cash flows for each of the periods then ended (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages II(A)-4 to II(A)-74 forms an integral part of this report, which has been prepared for inclusion in the circular of CIMC-TianDa Holdings Company Limited (the "Company") dated 16 October 2018 (the "Circular") in connection with the proposed capital increase of CIMC Finance by the Company.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Notes 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

The financial statements of CIMC Finance for the Track Record Period ("Underlying Financial Statements"), on which the Historical Financial Information is based, were prepared by the directors of the Company based on the previously issued financial statements and management accounts of CIMC Finance for the Track Record Period. The directors of CIMC Finance are responsible for the preparation of the previously issued financial statements and management accounts of CIMC Finance in accordance with the relevant accounting principles generally accepted in its place of incorporation, and for such internal control as the directors determine is necessary to enable the preparation of CIMC Finance's financial statements that are free from material misstatement, whether due to fraud or error.

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Reporting accountant's responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Notes 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of CIMC Finance as at 31 December 2015, 2016 and 2017 and 30 June 2018 and of its financial performance and its cash flows for the Track Record Period in accordance with the basis of preparation set out in Notes 2.1 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of CIMC Finance which comprises the statements of profit or loss, the statements of comprehensive income, the statements of changes in equity and the statements of cash flows for the six months ended 30 June 2017 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of preparation set out in Notes 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountant's report, is not prepared, in all material respects, in accordance with the basis of preparation set out in Notes 2.1 to the Historical Financial Information.

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

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements have been made.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong
16 October 2018

I HISTORICAL FINANCIAL INFORMATION OF CIMC FINANCE

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

The Underlying Financial Statements, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

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

(a) Statements of Profit or Loss

		Year ended December 31,			Six months ended June 30,	
		2015	2016	2017	2017	2018
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Interest income	6	240,030	265,435	319,791	126,107	171,241
Interest expenses	6	(115,268)	(144,223)	(167,443)	(65,203)	(73,016)
Net interest income		124,762	121,212	152,348	60,904	98,225
Fee and commission income	7	9,969	8,794	7,636	3,443	4,533
Fee and commission expenses	7	(472)	(296)	(3,377)	(527)	(1,142)
Net fee and commission income		9,497	8,498	4,259	2,916	3,391
Impairment losses	8	(10,000)	(10,000)	–	–	–
Credit impairment losses	9	–	–	–	–	(1,411)
Other gain/(loss)	10	6,069	8,214	(7,440)	(2,807)	2,046
Operating income		130,328	127,924	149,167	61,013	102,251
Staff costs	11	(33,737)	(34,836)	(22,009)	(13,130)	(10,636)
Rental		(6,062)	(4,760)	(4,376)	(2,031)	(2,458)
Tax and surcharges	11	(10,998)	(3,882)	(1,838)	(866)	(1,229)
Depreciation and amortisation		(2,964)	(2,270)	(1,978)	(1,006)	(893)
Other operating expenses	11	(10,635)	(7,048)	(8,132)	(2,899)	(1,448)
Operating profit and profit before income tax		65,932	75,128	110,834	41,081	85,587
Income tax expense	12	(16,689)	(18,966)	(27,894)	(10,270)	(21,397)
Profit for the year/period		49,243	56,162	82,940	30,811	64,190

(b) Statements of Comprehensive Income

		Year ended December 31,			Six months ended June 30,	
		2015	**2016**	**2017**	**2017**	**2018**
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
Profit for the year/period		49,243	56,162	82,940	30,811	64,190
Other comprehensive income:						
Items that may be reclassified to profit or loss						
Fair value changes on available-for-sale financial assets, net of tax		–	(1,111)	(1,176)	384	–
Changes in the fair value of investment securities at fair value through other comprehensive income, net of tax		–	–	–	–	799
Total comprehensive income for the year/period		49,243	55,051	81,764	31,195	64,989

(c) Statements of Financial Position

		As at December 31,			As at June 30,
		2015	**2016**	**2017**	**2018**
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
ASSETS					
Cash and balances with central banks	14	316,183	504,795	487,824	516,831
Deposits with banks and other financial institutions	15	769,598	1,372,760	1,666,836	1,077,952
Placements with and loans to banks and other financial institutions	16	500,000	624,330	71,876	251,431
Loans and advances to customers	17	4,258,308	4,241,478	4,704,986	4,911,797
Available-for-sale financial assets	18	30,000	30,803	28,660	–
Investment securities at fair value through other comprehensive income	19	–	–	–	29,620
Financial assets held under resale agreements	20	–	999,926	1,200,379	587,711
Deferred tax assets	21	11,715	14,110	16,107	14,250
Other assets	22	24,134	37,229	15,635	24,780
Total assets		5,909,938	7,825,431	8,192,303	7,414,372
EQUITY					
Share capital	23	500,000	500,000	500,000	500,000
Reserves	24	204,163	237,055	307,520	315,870
Total equity		704,163	737,055	807,520	815,870
LIABILITIES					
Placements from banks and other financial institutions	25	279,225	34,685	–	–
Financial assets sold under repurchase agreements	26	234,258	28,762	48,487	51,910
Due to customers	27	4,565,020	6,826,746	7,215,743	6,437,557
Other liabilities	28	127,272	198,183	120,553	109,035
Total liabilities		5,205,775	7,088,376	7,384,783	6,598,502
Total equity and liabilities		5,909,938	7,825,431	8,192,303	7,414,372

(d) Statements of Changes in Equity

	Note	Share capital RMB'000	Investment revaluation reserve RMB'000	Surplus reserve RMB'000	General reserve RMB'000	Retained earnings RMB'000	Total equity RMB'000
Balance as at January 1, 2015		500,000	–	24,204	81,527	69,516	675,247
– Profit for the year		–	–	–	–	49,243	49,243
Total comprehensive income for the year		500,000	–	24,204	81,527	118,759	724,490
– Appropriation to surplus reserve	24	–	–	4,924	–	(4,924)	–
– Dividends paid to shareholders		–	–	–	–	(20,327)	(20,327)
Balance at December 31, 2015		500,000	–	29,128	81,527	93,508	704,163

	Share capital RMB'000	Investment revaluation reserve RMB'000	Surplus reserve RMB'000	General reserve RMB'000	Retained earnings RMB'000	Total equity RMB'000
Balance as at January 1, 2016	500,000	–	29,128	81,527	93,508	704,163
– Profit for the year	–	(1,111)	–	–	56,162	55,051
Total comprehensive income for the year	500,000	(1,111)	29,128	81,527	149,670	759,214
– Appropriation to surplus reserve 24	–	–	5,616	–	(5,616)	–
– Appropriation to general reserve	–	–	–	27,949	(27,949)	–
– Dividends paid to shareholders	–	–	–	–	(22,159)	(22,159)
Balance at December 31, 2016	500,000	(1,111)	34,744	109,476	93,946	737,055

	Note	Share capital RMB'000	Investment revaluation reserve RMB'000	Surplus reserve RMB'000	General reserve RMB'000	Retained earnings RMB'000	Total equity RMB'000
Balance as at January 1, 2017		500,000	(1,111)	34,744	109,476	93,946	737,055
– Profit for the year		–	–	–	–	82,940	82,940
– Other comprehensive income		–	(1,176)	–	–	–	(1,176)
Total comprehensive income for the year		500,000	(2,287)	34,744	109,476	176,886	818,819
– Appropriation to surplus reserve	24	–	–	8,294	–	(8,294)	–
– Appropriation to general reserve		–	–	–	5,950	(5,950)	–
– Dividends paid to shareholders		–	–	–	–	(11,299)	(11,299)
Balance at December 31, 2017		500,000	(2,287)	43,038	115,426	151,343	807,520

	Share capital RMB'000	Investment revaluation reserve RMB'000	Surplus reserve RMB'000	General reserve RMB'000	Retained earnings RMB'000	Total equity RMB'000
Unaudited:						
Balance as at January 1, 2017	500,000	(1,111)	34,744	109,476	93,946	737,055
– Profit for the period	–	–	–	–	30,811	30,811
– Other comprehensive income	–	384	–	–	–	384
Total comprehensive income for the period	500,000	(727)	34,744	109,476	124,757	768,250
Balance at June 30, 2017	500,000	(727)	34,744	109,476	124,757	768,250

	Note	Share capital RMB'000	Investment revaluation reserve RMB'000	Surplus reserve RMB'000	General reserve RMB'000	Retained earnings RMB'000	Total equity RMB'000
Balance as at December 31, 2017		500,000	(2,287)	43,038	115,426	151,343	807,520
Changes arising from measurement upon initial adoption of HKFRS 9		–	–	–	–	(22,291)	(22,291)
Balance as at January 1, 2018		500,000	(2,287)	43,038	115,426	129,052	785,229
– Profit for the period		–	–	–	–	64,190	64,190
– Other comprehensive income		–	799	–	–	–	799
Total comprehensive income for the period		500,000	(1,488)	43,038	115,426	193,242	850,218
– Dividends paid to shareholders		–	–	–	–	(34,348)	(34,348)
Balance at June 30, 2018		500,000	(1,488)	43,038	115,426	158,894	815,870

(e) Statements of Cash Flows

		Year ended December 31,			Six months ended June 30,	
		2015	2016	2017	2017	2018
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
Profit before tax		49,243	56,162	82,940	30,811	64,190
Adjustments for:						
Impairment losses		10,000	10,000	–	–	–
Credit impairment losses		–	–	–	–	1,411
Depreciation of property and equipment		1,642	1,385	904	484	346
Amortisation of intangible assets		1,322	885	1,074	522	547
Interests income from investment securities		(918)	(1,550)	(1,489)	(533)	(906)
Net foreign exchange (gain)/loss		(5,768)	(7,655)	7,610	2,937	(1,967)
Increase in other operating assets		(894,436)	(217,178)	(458,333)	(188,395)	(235,601)
Increase/(decrease) in other operating liabilities		1,402,773	1,846,500	414,810	(409,786)	(742,769)
Cash from operations		563,858	1,688,549	47,516	(563,960)	(914,749)
Income tax paid		(20,572)	(17,501)	(26,983)	(13,626)	(19,835)
Net cash flows generated from/(used in) operating activities		543,286	1,671,048	20,533	(577,586)	(934,584)

		Year ended December 31,			Six months ended June 30,	
		2015	2016	2017	2017	2018
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
Cash flows from investing activities						
Purchases of property and equipment		(2,244)	(76)	(342)	(47)	(926)
Proceeds from disposal of property and equipment		–	–	11	11	–
Proceeds from disposal and redemption of investment securities		91,024	106,958	60,000	–	40,000
Purchase of investment securities		(111,024)	(109,247)	(60,000)	(20,000)	(40,000)
Interest income arising from investment securities		498	1,499	2,036	1,263	1,643
Net cash flows (used in)/generated from investing activities		(21,746)	(866)	1,705	(18,773)	717
Cash flows from financing activities						
Dividends paid		(20,327)	(22,159)	(11,299)	–	(34,348)
Net cash flows used in financing activities		(20,327)	(22,159)	(11,299)	–	(34,348)
Increase/(decrease) in cash and cash equivalents		501,213	1,648,023	10,939	(596,359)	(968,215)
Net foreign exchange differences		30,065	36,649	(74,535)	(19,865)	(14,281)
Cash and cash equivalents at beginning of the year/period		725,994	1,257,272	2,941,944	2,941,944	2,878,348
Cash and cash equivalents at end of the year/period	29	1,257,272	2,941,944	2,878,348	2,325,720	1,895,852

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 GENERAL INFORMATION

CIMC Finance Company, Ltd. ("CIMC Finance") was incorporated in PRC on February 9, 2010. CIMC Finance operates under financial services certificate No. L0108H244030001 issued by the China Banking Regulatory Commission (the "CBRC"), and business license No. 440301104513485 issued by Shenzhen Market Supervision Commission. The address of its registered office is 11th floor, China Merchants Bureau Plaza, no. 1166, Shekou Wanghai Road, Nanshan District, Shenzhen. CIMC Finance's ultimate holding company is China International Marine Containers (Group) Co., Ltd. ("CIMC Group").

The principal activities of CIMC Finance includes Renminbi ("RMB") and foreign currency deposits, loans, clearing and settlement services and other services as approved by relevant regulators. It's operation is limited to the fellow subsidiaries and in relation to the business of CIMC Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied during the Track Record Period, unless otherwise stated.

2.1 Basis of preparation

The Historical Financial Information of CIMC Finance have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"), its amendments and interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The Historical Financial Information have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and investment securities at fair value through other comprehensive income, which are carried at fair value.

The preparation of Historical Financial Information in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 3.

2.1.1 Change of accounting policies

All effective standards, amendments to standards and interpretations, which are mandatory for the financial year beginning on January 1, 2018, are consistently applied to CIMC Finance for the Track Record Period, except for HKFRS 9.

HKFRS 15, "Revenue from contracts with customers" are effective for annual periods beginning on or after January 1, 2018 and earlier application is permitted, and has been applied adopted throughout the Track Record Period.

(a) New and revised standards adopted

CIMC Finance has applied HKFRS 9 for the first time commencing January 1, 2018.

HKFRS 9 replaces the provisions of HKAS 39 Financial Instruments ("HKAS 39") that relate to the recognition, classification and measurement of financial assets and hedge accounting. HKFRS 9 also significantly amends other standards dealing with financial instruments such as HKFRS 7 Financial Instruments – Disclosures. The accounting policies were changed to comply with HKFR 9.

In accordance with the transitional provision on HKFRS 9, comparative figures have not been restated. Any adjustments to carrying amounts of financial assets or liabilities are recognised at the beginning of the current reporting period, with the difference recognised in opening retained earnings and other reserve.

(i) Classification and measurement of financial instruments

The measurement category and the carrying amount of financial assets and liabilities in accordance with HKAS 39 and HKFRS 9 as at January 1, 2018 are compared as follows:

	HKAS 39		HKFRS 9	
Financial assets	**Measurement category**	**Carrying Amount** *(RMB'000)*	**Measurement category**	**Carrying amount** *(RMB'000)*
Cash and balances with central banks	Loans and receivables	487,824	Amortised cost	487,824
Deposits with banks and other financial institutions	Loans and receivables	1,666,836	Amortised cost	1,666,836
Placements with and loans to banks and other financial institutions	Loans and receivables	71,876	Amortised cost	71,876
Loans and advances to customers	Loans and receivables	4,704,986	Amortised cost	4,621,132
			Fair value through other comprehensive income	54,133
Financial assets held under resale agreements	Loans and receivables	1,200,379	Amortised cost	1,200,379
Investment securities	Available for sale	28,660	Fair value through other comprehensive income	28,660
Other assets	Loans and receivables	20,193	Amortised cost	20,193

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

Reconciliation of statement of financial position balances from HKAS 39 to HKFRS 9

CIMC Finance performed a detailed analysis of its business models for managing financial assets and analysis of their cash flow characteristics.

The following table reconciles the carrying amounts of financial assets, from their previous measurement category in accordance with HKAS 39 to their new measurement categories upon transition to HKFRS 9 on January 1, 2018:

	HKAS 39 carrying amount December 31, 2017	**Reclassification (excluding changes arising from measurement)**	**Expected credit loss**	**HKFRS 9 carrying amount January 1, 2018**
Available for sale	28,660	(28,660)	–	–
Investment securities at fair value through other comprehensive income	–	28,660 *(Note 1)*	–	28,660
Loans and advances to customers	4,704,986	4,650,508	(29,376)	4,621,132
		54,478	(345)	54,133

Note 1: It's a debt investment and is held for collection of contractual cash flows and for selling, where its cash flows represented solely payments of principal and interest, thus the management reclassified it to investment securities at fair value through other comprehensive income under HKFRS 9.

Reconciliation of impairment allowance balance from HKAS 39 to HKFRS 9

The following table reconciles the prior period's closing impairment allowance measured in accordance with the HKAS 39 incurred loss model to the new impairment allowance measured in accordance with the HKFRS 9 expected loss model at January 1, 2018:

	Loan loss allowance under HKAS 39	**Reclassification**	**Expected credit loss**	**Loan loss allowance under HKFRS 9**
Loans and advances to customers	(20,000)	–	(29,721)	(49,721)

(ii) Financial assets and liabilities

Measurement methods

Amortised cost and effective interest rate

The amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance) or to the amortised cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate, such as origination fees. For purchased or originated credit-impaired ("POCI") financial assets – assets that are credit-impaired at initial recognition – CIMC Finance calculates the credit-adjusted effective interest rate, which is calculated based on the amortised cost of the financial asset instead of its gross carrying amount and incorporates the impact of expected credit losses in estimated future cash flows.

When CIMC Finance revises the estimates of future cash flows, the carrying amount of the respective financial assets or financial liability is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognised in profit or loss.

Interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for:

- POCI financial assets, for which the original credit-adjusted effective interest rate is applied to the amortised cost of the financial asset.

- Financial assets that are not "POCI" but have subsequently become credit-impaired (or "stage 3"), for which interest income is calculated by applying the effective interest rate to their amortised cost (i.e. net of the expected credit loss provision).

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on trade-date, the date on which CIMC Finance commits to purchase or sell the asset.

At initial recognition, CIMC Finance measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss. Immediately after initial recognition, an expected credit loss allowance (ECL) is recognised for financial assets measured at amortised cost and investments in debt instruments measured at FVOCI, which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, the entity recognises the difference as follows:

- When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognised as a gain or loss.

- In all other cases, the difference is deferred and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortised over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

Financial assets

(1) Classification and subsequent measurement

From January 1, 2018, CIMC Finance has applied HKFRS 9 and classifies its financial assets in the following measurement categories:

- Fair value through profit or loss (FVPL);

- Fair value through other comprehensive income (FVOCI); or

- Amortised cost.

The classification requirements for debt and equity instruments are described below:

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds and trade receivables purchased from clients in factoring arrangements without recourse.

Classification and subsequent measurement of debt instruments depend on:

- CIMC Finance's business model for managing the asset; and

- the cash flow characteristics of the asset.

Based on these factors, CIMC Finance classifies its debt instruments into one of the following two measurement categories:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ("SPPI"), and that are not designated at FVPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised. Interest income from these financial assets is included in "Interest income" using the effective interest rate method.

Fair value through other comprehensive income (FVOCI): Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVPL, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses on the instrument's amortised cost which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in "Net investment income". Interest income from these financial assets is included in "Interest income" using the effective interest rate method.

(2) Impairment

CIMC Finance assesses on a forward-looking basis the expected credit losses ("ECL") associated with its debt instrument assets carried at amortised cost and FVOCI and with the exposure arising from loan commitments and financial guarantee contracts. CIMC Finance recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

(3) Derecognition other than on a modification

Financial assets, or a portion thereof, are derecognized when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) CIMC Finance transfers substantially all the risks and rewards of ownership, or (ii) CIMC Finance neither transfers nor retains substantially all the risks and rewards of ownership and CIMC Finance has not retained control.

CIMC Finance enters into transactions where it retains the contractual rights to receive cash flows from assets but assumes a contractual obligation to pay those cash flows to other entities and transfers substantially all of the risks and rewards. These transactions are accounted for as "pass through" transfers that result in derecognition if CIMC Finance:

(i) Has no obligation to make payments unless it collects equivalent amounts from the assets;

(ii) Is prohibited from selling or pledging the assets; and

(iii) Has an obligation to remit any cash it collects from the assets without material delay.

Collateral (shares and bonds) furnished by CIMC Finance under standard repurchase agreements and securities lending and borrowing transactions are not derecognized because CIMC Finance retains substantially all the risks and rewards on the basis of the predetermined repurchase price, and the criteria for derecognition are therefore not met. This also applies to certain securitisation transactions in which CIMC Finance retains a subordinated residual interest.

Financial liabilities

(1) Classification and subsequent measurement

In both the current and prior period, financial liabilities are classified as subsequently measured at amortised cost, except for:

- Financial liabilities at fair value through profit or loss: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in the trading booking) and other financial liabilities designated as such at initial recognition. Gains or losses on financial liabilities designated at fair value through profit or loss are presented partially in other comprehensive income (the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability, which is determined as the amount that is not attributable to changes in market conditions that give rise to market risk) and partially profit or loss (the remaining amount of change in the fair value of the liability). This is unless such a presentation would create, or enlarge, an accounting mismatch, in which case the gains and losses attributable to changes in the credit risk of the liability are also presented in profit or loss;

- Financial liabilities arising from the transfer of financial assets which did not qualify for derecognition, whereby a financial liability is recognised for the consideration received for the transfer. In subsequent periods, CIMC Finance recognises any expense incurred on the financial liability;

(2) Derecognition

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

The exchange between CIMC Finance and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in covenants are also taken into consideration. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment.

Financial guarantee contracts and loan commitments

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and others on behalf of customers to secure loans, overdrafts and other banking facilities.

Financial guarantee contracts are initially measured at fair value and subsequently measured at the higher of:

- The amount of the loss allowance; and

- The premium received on initial recognition less income recognised in accordance with the principles of HKFRS 15.

Loan commitments provided by CIMC Finance are measured as the amount of the loss allowance. CIMC Finance has not provided any commitment to provide loans at a below-market interest rate, or that can be settled net in cash or by delivering or issuing another financial instrument.

For loan commitments and financial guarantee contracts, the loss allowance is recognised as a provision. However, for contracts that include both a loan and an undrawn commitment and CIMC Finance cannot separately identify the expected credit losses on the undrawn commitment component from those on the loan component, the expected credit losses on the undrawn commitment are recognised together with the loss allowance for the loan. To the extent that the combined expected credit losses exceed the gross carrying amount of the loan, the expected credit losses are recognised as a provision.

(b) New and revised standards, amendments and interpretations to existing standards that have been issued but are not effective for the Track Record Period and have not been early adopted

The following new standards and amendments to standards have been issued but are not effective for the period and have not been early adopted by CIMC Finance:

	Effective for accounting periods beginning on or after
HKFRS 16 "Leases"	January 1, 2019
HKFRS 17 "Insurance Contracts"	January 1, 2021
HKFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019
Amendments to HKFRS 9 "Prepayment Feature with Negative Compensation"	January 1, 2019
Amendments to HKAS 28 "Long-term Interests in Associates and Joint Ventures"	January 1, 2019
Amendments to HKFRS "Annual Improvements to HKFRS Standards 2015–2017 Cycle "	January 1, 2019
Amendments to HKAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019
Amendments to HKFRS 10 and HKAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined

At this stage, CIMC Finance assessed that the above new and amended standards have no material impact to its results of operations and financial positions. CIMC Finance will make more detailed assessments of the impact over the next twelve months.

2.2 Financial Instruments – HKAS 39

CIMC Finance has adopted International Accounting Standard 39 – Financial Instruments: confirmation and measurement (HKAS 39) to confirm and measure financial instruments in 2015, 2016 and 2017.

As permitted by the transitional provisions of HKFRS 9, CIMC Finance elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the opening retained earnings and other reserves of the current period. Consequently, for notes disclosures, the consequential amendments to HKFRS 7 disclosures have also only been applied to the current period. The comparative period notes disclosures repeat those disclosures made in the prior year.

CIMC Finance's financial assets are initially measured at fair value and classified into one of the four categories, including financial assets at fair value through profit or loss, held-to-maturity investments, available-for-sale financial assets and investments classified as receivables. Financial investments comprise held-to-maturity investments, available-for-sale financial assets and debt securities classified as investments classified as receivables. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

(a) Investments classified as receivables

Investments classified as receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than: (i) those that the entity intends to sell immediately or in the short term, which are classified as held for trading, and those that the entity upon initial recognition designates as at fair value through profit or loss; (ii) those that the entity upon initial recognition designates as available-for-sale; or (iii) those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

(b) Available-for-sale financial assets

Available-for-sale investments are non-derivatives that are either designated in this category or not classified in any of the other categories.

(c) Recognition and valuation of financial assets

Purchases and sales of available-for-sale are recognised on trade-date, the date on which CIMC Finance commits to purchase or sell the asset.

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the statement of comprehensive income.

Available-for-sale financial assets are subsequently carried at fair value. Investments classified as receivables are carried at amortized cost using the effective interest method. Gains or losses arising from changes in the fair value of available for sale financial assets are recognised in other comprehensive income, until the financial asset is derecognised or impaired. At this time, the cumulative gains or losses previously recognised in equity is recognised in profit or loss. Interest earned whilst holding monetary financial assets, including available for sale financial assets, is reported as interest income using the effective interest rate method.

The non-priced available-for-sale equity investment in the active market or its fair value cannot be reliably measured. It should be measured according to the cost approach at the final of each report, and less the specified impairment loss.

The dividends caused by the available-for-sale equity investment should be accrued in profit or loss when CIMC Finance is endowed with the right to receive dividends.

(d) De-recognition of financial assets

CIMC Finance derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If CIMC Finance neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, CIMC Finance recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If CIMC Finance retains substantially all the risks and rewards of ownership of a transferred financial asset, CIMC Finance continues to recognize the financial asset and also recognizes a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

2.3 Impairment of financial assets – HKAS 39

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

The criteria that CIMC Finance uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties;
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in CIMC Finance, including: adverse changes in the payment status of borrowers in CIMC Finance; and national or local economic conditions that correlate with defaults on the assets in CIMC Finance;
- Any significant change with an adverse effect that has taken place in the technological, market, economic or legal environment in which the issuer operates and indicates that the cost of investments in equity instruments may not be recovered;
- A significant or prolonged decline in the fair value of equity instrument investments; and
- Other objective evidence indicating impairment of the financial asset.

CIMC Finance firstly makes separate assessment of the existence of an impairment of the financial assets with significant amount, and then make separate or portfolio assessment of the existence of impairment of all other financial assets with unsignificant amount. If there is no evidence indicating that financial assets assessed separately are devalued, CIMC Finance will include them in a financial asset group with similar credit risk and make combined impairment assessment no matter how significant the amount is. Assets that are assessed separately and are recognized impairment losses are no longer included in the scope of the combined impairment assessment.

Assets carried at amortized cost

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

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the group and historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses in CIMC Finance) to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

The methodology and assumptions used for estimating future cash flows are reviewed regularly by CIMC Finance to reduce any differences between loss estimates and actual loss experience.

When a financial asset is uncollectible, it is written off against the related provision. Such financial asset is written off after all the necessary procedures have been completed and the amount of the loss has been determined.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in profit or loss in the impairment charge for credit losses.

2.4 The fair value of financial assets – HKAS 39 and HKFRS 9

The fair values of quoted investments in active markets are based on current bid prices. If there is no active market for a financial asset, CIMC Finance determines fair value using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

2.5 Financial liabilities – HKAS 39

Financial liabilities are classified into two categories: financial liabilities at fair value through profit or loss and other financial liabilities. All financial liabilities are classified at inception and recognised initially at fair value.

All financial liabilities are recognised in the statement of financial position, when and only when, CIMC Finance becomes a party to the contractual provisions of the instrument.

(a) Financial liabilities at fair value through profit or loss

A financial liability is classified as held for trading if it is incurred principally for the purpose of repurchasing in the short term. It is carried at fair value and any gains or losses from changes in fair value are recognised in profit or loss.

(b) Other financial liabilities

Other financial liabilities are recognised initially at fair value net of transaction costs incurred. Other financial liabilities are subsequently stated at amortized cost, with gain or losses arising from derecognition or amortisation recognized in profit or loss.

Financial liabilities are derecognised when they are extinguished – that is, when the obligation is discharged, cancelled or expired.

2.6 Interest income and expenses

Interest income and expense for all interest-earning financial assets and interest-bearing financial liabilities are recognised as interest income and interest expenses in the statements of profit or loss using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or liability and of allocating the interest income or expense over the period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument or, where appropriate, a shorter period, to the carrying amount on initial recognition. When calculating the effective interest rate, CIMC Finance estimates cash flows considering all contractual terms of the financial instrument, but does not consider future credit losses. The calculation includes all fees and interest paid or received that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

Interest income on an impaired financial asset or a group of impaired similar financial assets is recognised using the original interest rate which was used to discount the future cash flows for the purpose of measuring the impairment loss.

2.7 Fee and commission income

CIMC Finance earns fee and commission income from a diverse range of services it provides to its customers. For those services that are provided over a period of time, fee and commission income are recognised over that period. For other services, fee and commission income are recognised when the transactions are completed.

The customer pays the fixed amount based on a payment schedule. When the payments exceed the services rendered, a contract liability is recognized as "Deferred charges and commission" in "Other liabilities".

2.8 Property and equipment

(a) Measurement

(i) Buildings

Buildings are initially recognised at cost. Buildings are carried at cost less accumulated depreciation and accumulated impairment losses.

(ii) Other property and equipment

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

(iii) Components of costs

The cost of an item of property and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

(b) Depreciation

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

	Useful lives
Buildings	30 years
Motor vehicles	5 years
Office and other equipment	5 years

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

(c) Subsequent expenditure

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

(d) Disposal

On disposal of an item of property and equipment, the difference between the disposal proceeds and its carrying amount is recognised in profit or loss within "Gain on disposal of property and equipment".

2.9 Intangible assets

(a) Measurement

Intangible assets including software license, are measured at cost less accumulated amortisation and accumulated impairment losses.

(b) Subsequent expenditure

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

(c) Amortisation

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

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

The estimated useful lives are 5 years.

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

2.10 Impairment of non-financial assets

Intangible assets and property are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

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

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

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

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

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

2.11 Trade and other payables

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

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

2.12 Leases

CIMC Finance leases office under operating leases from non-related parties.

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

2.13 Income taxes

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

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

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

Deferred income tax is measured:

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

(ii) based on the tax consequence that will follow from the manner in which CIMC Finance expects, at the end of the reporting period, to recover or settle the carrying amounts of its assets and liabilities except for investment properties. Investment property measured at fair value is presumed to be recovered entirely through sale.

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

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

2.14 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of CIMC Finance. It can also be a present obligation arising from past events that is not recognized because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

2.15 Employee compensation

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

(a) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which CIMC Finance pays fixed contributions into separate entities such as the Central Provident Fund on a mandatory, contractual or voluntary basis. CIMC Finance has no further payment obligations once the contributions have been paid.

(b) Termination benefits

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

2.16 Currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

2.17 Segment reporting

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

2.18 Cash and cash equivalents

Cash and cash equivalents are short-term and highly liquid assets, which are readily convertible into known amounts of cash and subject to an insignificant risk of changes in value. Cash and cash equivalents include cash and assets with original maturity of three months or less under cash and balances with central banks, deposits with banks and other financial institutions, placements with and loans to banks and other financial institutions and financial assets held under resale agreements.

2.19 Reverse repurchase and repurchase agreements

The assets sold under agreements to repurchase at a specific future date are not derecognised in the balance sheet. The corresponding proceeds are recognised on the balance sheet under "financial assets sold under repurchase agreements". The difference between the prices of sale and repurchase is recognised during the term of the agreement into interest expenses by using the effective interest method.

Conversely, assets purchased under agreements to resell at a specific future date are not recognised on the balance sheet. The corresponding cost is recognised on the balance sheet under "financial assets held under resale agreements". The difference between the purchasing price and reselling price is recognised as interest income during the term of the agreement using the effective interest method.

2.20 Financial guarantee contracts – HKAS 39 and HKAS 18

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due, in accordance with the terms of a debt instrument. CIMC Finance mainly offers such financial guarantee contracts as letters of credit, letters of guarantee, and acceptances.

Financial guarantees are initially recognized at fair value on the date the guarantee was given. Subsequent to initial recognition, CIMC Finance 's liabilities under such guarantees are measured at the higher of the initial amount, less amortization of guarantee fees recognized in accordance with the revenue recognition policy, and the best estimate of the expenditure required to settle the guarantee. These estimates are determined based on experience of similar transactions, historical losses and supplemented by the judgment of management. Any increase in the liability relating to guarantees is taken to the income statement.

The guarantee amount of the financial guarantee contracts are not recognized in the statement of financial position and disclosed in note 4.3.2.

2.21 Government grants

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

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

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

2.22 Share capital

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

2.23 Dividends to CIMC Finance's shareholders

Dividends to CIMC Finance's shareholders are recognised when the dividends are approved for payment.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(a) Impairment allowances on investments classified as receivables

CIMC Finance reviews its investments classified as receivables to assess impairment regularly, unless known circumstances indicating that impairment may have occurred. In determining whether an impairment loss should be recorded in the statement of comprehensive income, CIMC Finance makes judgement as to whether there are evidences indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified. These evidences may include observable data indicating that there has been an adverse change in the payment status of borrowers in the loan portfolio, or national or local economic conditions that correlate with defaults on assets in CIMC Finance. The impairment loss for investments classified as receivables that is individually assessed for impairment is the difference between estimated discounted future cash flows and carrying amount. When investments classified as receivables are collectively assessed for impairment, the management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when estimating expected future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

(b) Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses).

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing group of similar financial assets for the purposes of measuring ECL.

Please refer to Note 4.2 Credit risk.

4 FINANCIAL RISK MANAGEMENT

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

4.1 Market risk

(a) Foreign currency risk

For monetary assets and monetary liabilities that are not denominated in RMB, if there is a short-term imbalance, CIMC Finance will buy and sell foreign currencies at market exchange rates when necessary to ensure that the net risk exposure is maintained at an acceptable level.

The carrying amounts of CIMC Finance's foreign currency denominated monetary assets and monetary liabilities as at December 31, 2015, 2016 and 2017 and June 30, 2018 are as follows:

	As at December 31,			As at June 30,
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Monetary assets				
USD	661,905	1,650,994	1,216,033	730,888
AUD	13,489	10,429	961	513
EUR	26,037	13,772	16,407	25,513
Others	11,058	56,101	20,994	15,500
Total	712,489	1,731,296	1,254,395	772,414
Monetary liabilities				
USD	(558,675)	(1,542,688)	(1,083,570)	(587,969)
AUD	(13,439)	(10,376)	(907)	(461)
EUR	(25,603)	(13,130)	(15,592)	(24,714)
Others	(11,051)	(56,045)	(20,815)	(15,320)
Total	(608,768)	(1,622,239)	(1,120,884)	(628,464)
Entrusted assets				
USD	19,805	22,650	31,364	–
Total	19,805	22,650	31,364	–
Entrusted liabilities				
USD	(19,805)	(22,650)	(31,364)	–
Total	(19,805)	(22,650)	(31,364)	–

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

	Increase/(decrease) in profit before tax for the year/period			
	Year ended December 31,			Six months ended June 30,
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
– if RMB strengthens against foreign currencies				
USD	(3,871)	(4,062)	(4,967)	(5,359)
AUD	(2)	(2)	(2)	(2)
EUR	(16)	(24)	(30)	(7)
– if RMB weakens against foreign currencies				
USD	3,871	4,062	4,967	5,359
AUD	2	2	2	2
EUR	16	24	30	7

The sensitivity analysis above assumes that the exchange rate changed on the each end of the reporting period, and the changed rate is used to re-measure the influence of above monetary assets and monetary liabilities which was held by CIMC Finance facing foreign exchange risk.

(b) Interest rate risk

CIMC Finance's interest rate risk arises from the mismatches between re-pricing dates of interest-generating assets and interest-bearing liabilities.

According to CIMC Finance's interest rate policy, the interest rate level are clearly specified in the contracts for various financial products of CIMC Finance. The interest rate level as well as floating range are all comply with the regulations of the PBOC.

As at December 31, 2015, 2016 and 2017 and June 30, 2018, if the interest rates had increased/decreased by 0.75% with all other variables including tax rate being held constant, the profit before tax for the year/period would have been lower/higher by RMB4,163,000, RMB4,134,000, RMB4,944,000 and RMB4,803,000.

The above profit sensitivity is for illustrative purposes only and is evaluated only on a simplified basis. The figures show the estimated changes in equity and net profit in the context of the expected yield curve and the current rate of risk of CIMC Finance. However, this impact does not take into account the risk management activities that CIMC Finance may take to mitigate interest rate risk. Under actual circumstances, CIMC Finance will strive to reduce the losses arising from interest rate risk and increase net income. The above estimates assume that interest rates for all periods vary same and therefore do not reflect the potential impact on equity and net profit if certain interest rates change while other interest rates remain unchanged.

4.2 Credit risk

Credit risk refers to the risk that one party to a financial instrument cannot perform its obligations, causing financial losses to the other party. Credit exposures arise principally from customer loans, debt securities and due from banks and other financial institutions. There are also credit risk exposures in off-balance sheet financial arrangements such as loan commitments, guarantees, acceptances and letters of credit.

Exposure to credit risk is managed through regular analysis of the ability of borrowers to meet interest and principal repayment obligations and by changing these lending limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral and corporate guarantees. Since CIMC Finance mainly provides financial services to CIMC Group members, CIMC Finance does not expect the counterparty to be unable to perform its obligations, so the credit risk is not significant.

The maximum exposure to credit risk represents the credit risk exposure to CIMC Finance at the end of each reporting period, without taking into account any collateral held or other credit enhancements. A summary of the maximum exposure to credit risk is as follows:

	As at December 31,			As at June 30,
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash and balances with central banks	316,183	504,795	487,824	516,831
Deposits with banks and other financial institutions	769,598	1,372,760	1,666,836	1,077,952
Placements with and loans to banks and other financial institutions	500,000	624,330	71,876	251,431
Available-for-sale financial assets	–	30,803	28,660	–
Investment securities at fair value through other comprehensive income	–	–	–	29,620
Financial assets held under resale agreements	–	999,926	1,200,379	587,711
Loans and advances to customers *(note 1)*	4,258,308	4,241,478	4,704,986	4,911,797
Other assets *(note 2)*	16,293	30,756	10,815	20,193
Total	5,860,382	7,804,848	8,171,376	7,395,535

Note 1: CIMC Finance has implemented specific policies and credit enhancement practices to mitigate credit risk exposure to an acceptable level. The most typical practice is obtaining guarantee deposits, collateral and guarantees, refer to note 17 for details.

Note 2: Other assets comprises interest receivable, foreign exchange and other receivables.

A summary of the exposure to credit risk of off-balance sheet items is as follows:

	As at December 31,			As at June 30,
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Letter of guarantee offered	6,162	28,396	7,559	40,936
Bank acceptance note	650,993	508,944	417,506	383,930
Total	657,155	537,340	425,065	424,866

A summary of the loans and advances is as follows:

	As at December 31,			As at June 30,
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Neither past due nor impaired	4,268,308	4,261,478	4,724,986	4,962,929
Subtotal	4,268,308	4,261,478	4,724,986	4,962,929
Allowance for impairment losses	(10,000)	(20,000)	(20,000)	(51,132)
Total	4,258,308	4,241,478	4,704,986	4,911,797

(a) Credit risk measurement

(i) Credit business

CIMC Finance measures and manages the quality of its credit assets in accordance with the CBRC's Guidelines of Risk Classification of Loans and Guidelines of Risk Classification of Micro Enterprises loans (Trial Implementation). The classification of loans is based on the borrowers' repayment ability, payment history, willing of repayment, guarantee of loans, legal responsibility and loan administration. The Guidelines of Risk Classification of Loans require financial institutions to classify their credit assets into five categories, namely pass, special mention, substandard, doubtful and loss, of which the last three categories are non-performing loans. CIMC Finance monitors the overdue status of its loans to retail customers in managing credit risk.

The core definitions of credit asset classifications in "Loan Risk Classifications Guiding Principles" are as follows:

Pass: The borrower can fulfil the contracts, and there is insufficient reason to suspect that the principal and interest of loans cannot be repaid in full on time.

Special mention: The borrower has the ability to make current payments, but there may be some potential issues that could have adverse impact on the future payments.

Substandard: The borrower's repayment ability has been impaired and their normal income cannot repay the loan principal plus interest in full. Even with execution of guarantee, there may be certain level of loss.

Doubtful: The borrower cannot repay the principal plus the interest in full. Even with the execution of guarantee, there will be a significant loss.

Loss: After taking consideration of all possible recovery actions or all necessary legal proceedings, the future outcome of recovery is likely to be little or no recovery.

Risk management department coordinates the classification of loans. The classification of loans is performed quarterly and adjusted timely. Risk management department summarises the reclassification information justified by related department quarterly and reports to board of directors for approval. The classification of loans is monitored through credit management system.

(ii) Financial market business

CIMC Finance manages the credit quality of due from, placements with and loans to banks and other financial institutions considering the size, financial position and the external credit rating of banks and financial institutions. The risk management department monitors and reviews the credit risk of loans to banks and other financial institutions by counterparties periodically. Limits are placed on different counterparties. For debt securities and other financial market business, CIMC Finance manages the credit risk exposures by setting limits to the external credit ratings of its investments.

(b) Expected credit loss measurement

HKFRS 9 outlines a "three-stage" model for impairment based on changes in credit quality since initial recognition as summarised below:

- A financial instrument that is not credit-impaired on initial recognition is classified in "Stage 1" and has its credit risk continuously monitored by CIMC Finance.

- If a significant increase in credit risk ("SICR") since initial recognition is identified, the financial instrument is moved to "Stage 2" but is not yet deemed to be credit-impaired.

- If the financial instrument is credit-impaired, the financial instrument is then moved to "Stage 3".

- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.

- A pervasive concept in measuring ECL in accordance with HKFRS 9 is that it should consider forward-looking information.

- Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3).

- Further explanation is also provided of how CIMC Finance determines appropriate companying's when ECL is measured on a collective basis.

(i) Significant increase in credit risk (SICR)

CIMC Finance considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been met:

Quantitative criteria:

- The borrower is more than 30 days past due on its contractual payments

- The financial instrument is downgraded in internal rating and increases in Probability of Default ("PD") to a significant level since initial recognition

- Significant increase in credit risk since initial recognition with reference to external rating downgrade after initial recognition

Qualitative criteria:

For Treasury portfolios, if the borrower is on the Watch list and/or the instrument meets one or more of the following criteria:

- Significant increase in credit spread.
- Significant adverse changes in business, financial and/or economic conditions in which the borrower operates.
- Actual or expected forbearance or restructuring.
- Actual or expected significant adverse change in operating results of the borrower.
- Significant change in collateral value (secured facilities only) which is expected to increase risk of default.
- Early signs of cash flow/liquidity problems such as delay in servicing of trade creditors/loans.
- The assessment of SICR incorporates forward-looking information and is performed on a quarterly basis at a portfolio level for all Retail financial instruments held by CIMC Finance.

In relation to Wholesale and Treasury financial instruments, where a Watch list is used to monitor credit risk, this assessment is performed at the counterparty level and on a periodic basis. The criteria used to identify SICR are monitored and reviewed periodically for appropriateness by the independent Credit Risk team.

(ii) Definition of default and credit-impaired assets

CIMC Finance defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

Quantitative criteria

The borrower is more than 90 days past due on its contractual payments.

Qualitative criteria

The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:

- The borrower is in long-term forbearance
- The borrower is deceased
- The borrower is insolvent
- The borrower is in breach of financial covenant(s)
- An active market for that financial asset has disappeared because of financial difficulties
- Concessions have been made by the lender relating to the borrower's financial difficulty
- It is becoming probable that the borrower will enter bankruptcy
- Financial assets are purchased or originated at a deep discount that reflects the incurred credit losses

The criteria above have been applied to all financial instruments held by CIMC Finance and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD) throughout CIMC Finance's expected loss calculations.

An instrument is considered to no longer be in default (i.e. to have cured) when it no longer meets any of the default criteria for a consecutive period of six months. This period of six months has been determined based on an analysis which considers the likelihood of a financial instrument returning to default status after cure using different possible cure definitions.

(iii) Measuring ECL – Explanation of inputs, assumptions and estimation techniques

The Expected Credit Loss (ECL) is measured on either a 12-month (12M) or Lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

- The PD represents the likelihood of a borrower defaulting on its financial obligation (as per "Definition of default and credit-impaired" above), either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.

- EAD is based on the amounts CIMC Finance expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD).

- Loss Given Default (LGD) represents CIMC Finance's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and Lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

  The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

  The Lifetime PD is developed by applying a maturity profile to the current 12M PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the loans. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band. This is supported by historical analysis.

  The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type.

- For amortising products and bullet repayment loans, this is based on the contractual repayments owed by the borrower over a 12_month or lifetime basis. This will also be adjusted for any expected overpayments made by a borrower. Early repayment/refinance assumptions are also incorporated into the calculation.

- The 12-month and lifetime LGDs are determined based on the factors which impact the recoveries made post default. These vary by product type.

- For secured products, this is primarily based on collateral type and projected collateral values, historical discounts to market/book values due to forced sales, time to repossession and recovery costs observed.

For unsecured products, LGD's are typically set at product level due to the limited differentiation in recoveries achieved across different borrowers. These LGD's are influenced by collection strategies, including contracted debt sales and price.

Forward-looking economic information is also included in determining the 12-month and lifetime PD, EAD and LGD. These assumptions vary by product type.

The assumptions underlying the ECL calculation – such as how the maturity profile of the PDs and how collateral values change etc. – are monitored and reviewed on a quarterly basis.

There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

Forward-looking information incorporated in the ECL models

The assessment of SICR and the calculation of ECL both incorporate forward-looking information. CIMC Finance has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio.

These economic variables and their associated impact on the PD, EAD and LGD vary by financial instrument. Expert judgement has also been applied in this process. Forecasts of these economic variables (the "base economic scenario") are provided by management on a quarterly basis and provide the best estimate view of the economy over the next five years. After five years, to project the economic variables out for the full remaining lifetime of each instrument, a mean reversion approach has been used, which means that economic variables tend to either a long run average rate (e.g. for unemployment) or a long run average growth rate (e.g. GDP) over a period of two to five years. The impact of these economic variables on the PD, EAD and LGD has been determined by performing statistical regression analysis to understand the impact changes in these variables have had historically on default rates and on the components of LGD and EAD.

In addition to the base economic scenario, CIMC Finance's Economics team also provide other possible scenarios along with scenario weightings. The number of other scenarios used is set based on the analysis of each major product type to ensure non-linearities are captured. The number of scenarios and their attributes are reassessed at each reporting date. At January 1, 2018 and June 30, 2018, for all portfolios CIMC Finance concluded that three scenarios appropriately captured non-linearities. The scenario weightings are determined by a combination of statistical analysis and expert credit judgement, taking account of the range of possible outcomes each chosen scenario is representative of. The assessment of SICR is performed using the Lifetime PD under each of the base, and the other scenarios, multiplied by the associated scenario weighting, along with qualitative and backstop indicators (see note 4.2(b)(i)). This determines whether the whole financial instrument is in Stage 1, Stage 2, or Stage 3 and hence whether 12-month or lifetime ECL should be recorded. Following this assessment, CIMC Finance measures ECL as either a probability weighted 12 month ECL (Stage 1), or a probability weighted lifetime ECL (Stages 2 and 3). These probability-weighted ECLs are determined by running each scenario through the relevant ECL model and multiplying it by the appropriate scenario weighting (as opposed to weighting the inputs).

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. CIMC Finance considers these forecasts to represent its best estimate of the possible outcomes and has analysed the non-linearities and asymmetries within CIMC Finance's different portfolios to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

(c) ***Credit risk exposure***

(i) Maximum exposure to credit risk – Financial instruments subject to impairment

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The gross carrying amount of financial assets below also represents CIMC Finance's maximum exposure to credit risk on these assets.

	June 30, 2018				December 31, 2017
Gross carrying amount	**Stage 1**	**Stage 2**	**Stage 3**	**Maximum credit risk exposure**	**Maximum credit risk exposure**
Cash and balances with central banks	516,831	–	–	516,831	487,824
Deposits with banks and other financial institutions	1,077,952	–	–	1,077,952	1,666,836
Placements with and loans to banks and other financial institutions	251,431	–	–	251,431	71,876
Loans and advances to customers	4,962,929	–	–	4,962,929	4,724,986
Financial assets held under resale agreements	587,711	–	–	587,711	1,200,379
Investment securities at fair value through other comprehensive income	29,620	–	–	29,620	–
Available-for-sale financial assets	–	–	–	–	28,660
Other assets	20,193	–	–	20,193	10,815
Total	7,446,667	–	–	7,446,667	8,191,376

	June 30, 2018				December 31, 2017
Provision	**Stage 1**	**Stage 2**	**Stage 3**	**Maximum credit risk exposure**	**Maximum credit risk exposure**
Loans and advances to customers	(51,132)	–	–	(51,132)	(20,000)

(ii) Collateral and other credit enhancements

CIMC Finance employs a range of policies and practices to mitigate credit risk. The most common of these is accepting collateral for funds advanced. CIMC Finance has internal policies on the acceptability of specific classes of collateral or credit risk mitigation.

CIMC Finance prepares a valuation of the collateral obtained as part of the loan origination process. This assessment is reviewed periodically. The principal collateral types for loans and advances are:

- Margin agreement for derivatives, for which CIMC Finance has also entered into master netting agreements;
- Charges over business assets such as premises, inventory and accounts receivable; and
- Charges over financial instruments such as debt securities and equities.

Longer-term finance and lending to corporate entities are generally secured.

Collateral held as security for financial assets other than loans and advances depends on the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured, with the exception of asset-backed securities and similar instruments, which are secured by portfolios of financial instruments. Derivatives are also collateralised.

CIMC Finance's policies regarding obtaining collateral have not significantly changed during the reporting period and there has been no significant change in the overall quality of the collateral held by CIMC Finance since the prior period.

CIMC Finance closely monitors collateral held for financial assets considered to be credit-impaired, as it becomes more likely that CIMC Finance will take possession of collateral to mitigate potential credit losses.

(d) Loss allowance

The loss allowance recognised in the period is impacted by a variety of factors, as described below:

- Transfers between Stage 1 and Stages 2 or 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent "step up" (or "step down") between 12-month and Lifetime ECL;
- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments de-recognised in the period;
- Impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the period, arising from regular refreshing of inputs to models;
- Impacts on the measurement of ECL due to changes made to models and assumptions;
- Discount unwind within ECL due to the passage of time, as ECL is measured on a present value basis;
- Foreign exchange retranslations for assets denominated in foreign currencies and other movements; and
- Financial assets derecognised during the period and write-offs of allowances related to assets that were written off during the period.

The following tables explain the changes in the loss allowance between the beginning and the end of the annual period due to these factors:

Loans and advances to customers	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Purchased credit-impaired**	**Total**
Loss allowance as at January 1, 2018	(49,721)	–	–	–	(49,721)
Movements with profit or loss impact Changes in EADs	(1,411)	–	–	–	(1,411)
Total net profit or loss charge during the period	(1,411)	–	–	–	(1,411)
Loss allowance as at June 30, 2018	(51,132)	–	–	–	(51,132)

(e) Write-off policy

CIMC Finance writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include (1) ceasing enforcement activity and (2) where CIMC Finance's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

CIMC Finance may write-off financial assets that are still subject to enforcement activity. The outstanding contractual amounts of such assets written off during the year ended June 30, 2018 was nil.

4.3 Liquidity risk

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

4.3.1 Non-derivative financial liabilities and assets held for managing liquidity risk

The table below analyses CIMC Finance's non-derivative financial liabilities and assets held for managing liquidity risk into relevant maturity grouping based on the remaining period at each of the statement of financial position dates to the respective contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Real-time payment	Less than 1 month	Between 1 and 3 months	Between 3 months and 1 year	Between 1 and 5 years	Undated	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At December 31, 2015							
Cash and balances with central banks	1,252	–	–	–	–	314,931	316,183
Deposits with banks and other financial institutions	744,674	12,329	9,135	3,460	–	–	769,598
Placements with and loans to banks and other financial institutions	–	500,000	–	–	–	–	500,000
Loans and advances to customers	–	782,425	907,416	2,393,799	174,668	–	4,258,308
Available-for-sale financial assets	–	–	–	–	–	30,000	30,000
Others	1,055	15,238	–	–	–	–	16,293
Total financial assets	746,981	1,309,992	916,551	2,397,259	174,668	344,931	5,890,382
Due to customers	(3,478,137)	(2,000)	(106,615)	(36,268)	(942,000)	–	(4,565,020)
Placements from banks and other financial institutions	–	(51,949)	(194,808)	–	(32,468)	–	(279,225)
Financial assets sold under repurchase agreements	–	(185,540)	(41,466)	(7,252)	–	–	(234,258)
Others	(11,357)	(67,600)	–	–	–	–	(78,957)
Total financial liabilities	(3,489,494)	(307,089)	(342,889)	(43,520)	(974,468)	–	(5,157,460)
Net position	(2,742,513)	1,002,903	573,662	2,353,739	(799,800)	344,931	732,922

	Real-time payment RMB'000	Less than 1 month RMB'000	Between 1 and 3 months RMB'000	Between 3 months and 1 year RMB'000	Between 1 and 5 years RMB'000	Undated RMB'000	Total RMB'000
At December 31, 2016							
Cash and balances with central banks	1,371	–	–	–	–	503,424	504,795
Deposits with banks and other financial institutions	1,312,165	10,624	15,059	34,912	–	–	1,372,760
Placements with and loans to banks and other financial institutions	–	624,330	–	–	–	–	624,330
Financial assets held under resale agreements	–	999,926	–	–	–	–	999,926
Loans and advances to customers	–	367,758	937,796	2,548,630	387,294	–	4,241,478
Available-for-sale financial assets	–	–	–	–	–	30,803	30,803
Others	1,575	29,181	–	–	–	–	30,756
Total financial assets	1,315,111	2,031,819	952,855	2,583,542	387,294	534,227	7,804,848
Due to customers	(3,893,153)	(1,852,405)	(107,119)	(974,069)	–	–	(6,826,746)
Placements from banks and other financial institutions	–	–	–	–	(34,685)	–	(34,685)
Financial assets sold under repurchase agreements	–	(2,352)	(26,410)	–	–	–	(28,762)
Others	(17,604)	(119,173)	–	–	–	–	(136,777)
Total financial liabilities	(3,910,757)	(1,973,930)	(133,529)	(974,069)	(34,685)	–	(7,026,970)
Net position	(2,595,646)	57,889	819,326	1,609,473	352,609	534,227	777,878

	Real-time payment	Less than 1 month	Between 1 and 3 months	Between 3 months and 1 year	Between 1 and 5 years	Undated	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At December 31, 2017							
Cash and balances with central banks	3,152	–	–	–	–	484,672	487,824
Deposits with banks and other financial institutions	1,607,723	5,758	35,894	17,461	–	–	1,666,836
Placements with and loans to banks and other financial institutions	–	71,876	–	–	–	–	71,876
Financial assets held under resale agreements	–	1,200,379	–	–	–	–	1,200,379
Loans and advances to customers	–	772,765	828,698	2,088,730	1,014,793	–	4,704,986
Available-for-sale financial assets	–	–	–	–	–	28,660	28,660
Others	1,538	1,905	5,673	902	796	–	10,814
Total financial assets	1,612,413	2,052,683	870,265	2,107,093	1,015,589	513,332	8,171,375
Due to customers	(4,328,045)	(1,483,130)	(32,558)	(1,372,010)	–	–	(7,215,743)
Financial assets sold under repurchase agreements	–	(13,922)	(25,127)	(9,438)	–	–	(48,487)
Others	(6,699)	(3,119)	(29)	(18,382)	–	–	(28,229)
Total financial liabilities	(4,334,744)	(1,500,171)	(57,714)	(1,399,830)	–	–	(7,292,459)
Net position	(2,722,331)	552,512	812,551	707,263	1,015,589	513,332	878,916

	Real-time payment RMB'000	Less than 1 month RMB'000	Between 1 and 3 months RMB'000	Between 3 months and 1 year RMB'000	Between 1 and 5 years RMB'000	Undated RMB'000	Total RMB'000
At June 30, 2018							
Cash and balances with central banks	2,161	–	–	–	–	514,670	516,831
Deposits with banks and other financial institutions	1,054,549	–	–	23,403	–	–	1,077,952
Placements with and loans to banks and other financial institutions	–	251,431	–	–	–	–	251,431
Financial assets held under resale agreements	–	587,711	–	–	–	–	587,711
Loans and advances to customers	–	1,004,978	1,375,174	1,419,541	1,112,104	–	4,911,797
Investment securities at fair value through other comprehensive income	–	–	–	–	–	29,620	29,620
Others	14,336	277	1,567	2,479	1,534	–	20,193
Total financial assets	1,071,046	1,844,397	1,376,741	1,445,423	1,113,638	544,290	7,395,535
Due to customers	(3,775,968)	(1,070)	(31,233)	(1,136,042)	(1,493,244)	–	(6,437,557)
Financial assets sold under repurchase agreements	–	(1,968)	(49,942)	–	–	–	(51,910)
Others	(10,931)	–	(64)	(37,211)	–	(3,981)	(52,187)
Total financial liabilities	(3,786,899)	(3,038)	(81,239)	(1,173,253)	(1,493,244)	(3,981)	(6,541,654)
Net position	(2,715,853)	1,841,359	1,295,502	272,170	(379,606)	540,309	853,881

4.3.2 Off-balance-sheet items

The table below lists the off-balance-sheet statement items of CIMC Finance according to their remaining term to maturity and also includes the future minimum lease payments under non-cancellable operating leases where CIMC Finance are the lessees. The financial commitments are listed by the earliest maturity date in its notional principal.

As at December 31, 2015	**Within 1 year**	**1-5 years**	**Over 5 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Acceptance	650,993	–	–	650,993
Guarantees	6,162	–	–	6,162
Total	657,155	–	–	657,155

As at December 31, 2016	**Within 1 year**	**1-5 years**	**Over 5 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Acceptance	508,944	–	–	508,944
Guarantees	23,474	4,922	–	28,396
Total	532,418	4,922	–	537,340

As at December 31, 2017	**Within 1 year**	**1-5 years**	**Over 5 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Acceptance	417,506	–	–	417,506
Guarantees	5,846	1,713	–	7,559
Total	423,352	1,713	–	425,065

As at June 30, 2018	**Within 1 year**	**1-5 years**	**Over 5 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Acceptance	383,930	–	–	383,930
Guarantees	34,968	5,968	–	40,936
Total	418,898	5,968	–	424,866

4.4 Capital risk management

CIMC Finance's capital risk management aims to ensure sustainable and stable operations, meet regulatory requirements and maximize return on capital. CIMC Finance regularly reviews the capital status and implementation of relevant capital management strategies, and ensure the realization of CIMC Finance's medium and long-term business objectives and continuously improve the efficiency of capital use. CIMC Finance will adjust its capital structure depending on changes in the economic environment and risk characteristics. CIMC Finance submits the required information on the capital adequacy ratio to the China Banking Regulatory Commission ("CBRC") on a quarterly basis.

CIMC Finance calculated the capital adequacy ratio based on Yin Jian Fa [2006] No.96 "Rules for Regulating Risk of Finance Companies" issued by CBRC. CBRC requires minimum ratio of 10%. At present, CIMC Finance is fully compliant with legal and regulatory requirements.

	As at December 31,			As at June 30,
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Common Equity Tier-one Capital Adequacy Ratio (a)	12.91%	12.51%	13.95%	13.57%
Tier-one Capital Adequacy Ratio (a)	12.91%	12.51%	13.95%	13.57%
Capital Adequacy Ratio (a)	12.91%	12.85%	14.29%	14.42%
Common Equity Tier-one Capital (b)	704,162	737,055	807,520	816,137
Deductible Items from Common Equity Tier-one Capital (c)	3,375	3,407	2,558	2,011
Net Common Equity Tier-one Capital	700,787	733,648	804,962	814,126
Net Tier-one Capital	700,787	733,648	804,962	814,126
Net Capital	700,787	753,648	824,962	865,258
Risk-weighted Assets (d)	5,428,210	5,865,144	5,771,765	6,000,673

(a) The Common Equity Tier-one Capital Adequacy Ratio is calculated as Net Common Equity Tier-one Capital divided by Risk-weighted Assets. The Tier-one Capital Adequacy Ratio is calculated as Net Tier-one Capital divided by Risk-weighted Assets. The Capital Adequacy Ratio is calculated as Net Capital divided by Risk-weighted Assets.

(b) CIMC Finance's Common Equity Tier-one Capital includes: paid-in capital, surplus reserve, general reserve, retained earnings.

(c) CIMC Finance's Deductible Items from Common Equity Tier-one Capital include: intangible assets.

(d) Risk-weighted Assets include Credit Risk-weighted Assets, Market Risk-weighted Assets and Operational Risk-weighted Assets.

4.5 Fair value estimation

The difference between the book value and the fair value of financial assets and liabilities not measured at fair value is small as at December 31, 2015, 2016 and 2017 and June 30, 2018. The financial assets and liabilities not measured at fair value mainly includes cash and balances with central banks, Deposits with banks and other financial institutions, placements with and loans to banks and other financial institutions, Loans and advances to customers, interest receivable, financial assets held under resale agreements, other receivables, placements from banks and other financial institutions, due to customers, financial assets sold under repurchase agreements, interest payable, and other payables.

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

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

	Level 1	Level 2	Level 3	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At December 31, 2015				
Assets				
Available-for-sale equity instruments	–	30,000	–	30,000
Total assets	–	30,000	–	30,000
At December 31, 2016				
Assets				
Available-for-sale bonds	–	30,803	–	30,803
Total assets	–	30,803	–	30,803
At December 31, 2017				
Assets				
Available-for-sale bonds	–	28,660	–	28,660
Total assets	–	28,660	–	28,660
At June 30, 2018				
Assets				
Investment securities at fair value through other comprehensive income	–	29,620	–	29,620
Total assets	–	29,620	–	29,620

There were no transfers between various levels during each year/period.

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by CIMC Finance the current bid price. The fair value of financial instruments traded in inactive markets is based on valuation technique. The valuation models used are mainly discounted cash flow model and comparable companies model. The input values for valuation mainly include risk-free interest rates, benchmark interest rates, exchange rates, credit spreads, liquidity premiums, EBITDA multipliers, and lack of liquidity discounts.

CIMC Finance's financial instruments classified as Level 2 mainly include bond investments. The fair value of RMB bonds is determined according to valuation results of China Central Depository & Clearing Co., Ltd. All major valuation parameters use valuation techniques of observable market information.

5 SEGMENT INFORMATION

Operating segments are reported in a manner consistent with the internal reporting provided to the board of directors whose members are responsible for allocating resources and assessing performance of the operating segments. All business activities operate under similar business models and results of activities are not material to be disclosed as a separate reportable operating segment. The board of directors reviews and assesses performance on a combined basis and management concluded that there is only one reportable operating segment and all the assets are located in mainland China.

6 NET INTEREST INCOME

	Year ended December 31,			Six months ended June 30,	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Interest income					
Loans and advances to customers	119,974	166,183	196,506	89,748	116,099
Discounted bills	84,358	54,860	11,717	10,457	2,021
Deposits with banks and other financial institutions	21,118	25,005	29,212	14,639	36,098
Factoring	7,623	6,759	365	307	14
Financial assets held under resale agreements	–	5,635	72,049	7,577	11,798
Balances with central banks	5,586	5,007	7,563	2,713	3,746
Placements with and loans to banks and other financial institutions	453	436	890	133	559
Investment securities	918	1,550	1,489	533	906
Subtotal	240,030	265,435	319,791	126,107	171,241
Interest expenses					
Due to customers	(83,332)	(105,115)	(157,045)	(55,854)	(70,842)
Placements from banks and other financial institutions	(6,399)	(34,750)	(9,471)	(1,451)	(1,686)
Note financing	(25,537)	(1,257)	(784)	(7,807)	(394)
Guarantee deposit	–	(2,741)	(128)	(84)	(94)
Others	–	(360)	(15)	(7)	–
Subtotal	(115,268)	(144,223)	(167,443)	(65,203)	(73,016)
Net interest income	124,762	121,212	152,348	60,904	98,225

7 NET FEE AND COMMISSION INCOME

	Year ended December 31,			Six months ended June 30,	
	2015	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Fee and commission income					
Consultancy and advisory services	4,750	3,250	1,500	750	889
Handling fees	3,822	5,320	5,253	2,492	2,952
Entrusted loan services	1,369	117	187	82	30
Others	28	107	696	119	662
Subtotal	9,969	8,794	7,636	3,443	4,533
Fee and commission expense					
Telegraphic transfer	(325)	(296)	(1,143)	(439)	(1,145)
Others	(147)	–	(2,234)	(88)	3
Subtotal	(472)	(296)	(3,377)	(527)	(1,142)
Net fee and commission income	9,497	8,498	4,259	2,916	3,391

8 IMPAIRMENT LOSSES

	Year ended December 31,		
	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*
Loans and advances to customers	10,000	10,000	–

9 CREDIT IMPAIRMENT LOSSES

	Six months ended June 30, 2018
	RMB'000
Loans and advances to customers	1,411

10 OTHER GAIN/(LOSS)

	Year ended December 31,			Six months ended June 30,	
	2015	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Gain on disposal of property and equipment	–	1	2	2	–
Government grant	200	558	168	128	79
Net gain/(loss) on foreign exchange	5,768	7,655	(7,610)	(2,937)	1,967
Others	101	–	–	–	–
Total	6,069	8,214	(7,440)	(2,807)	2,046

11 EXPENSES BY NATURE

(a) Tax and surcharges

	Year ended December 31,			Six months ended June 30,	
	2015	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Business tax	9,820	2,465	–	–	–
Urban maintenance and construction tax	687	732	885	451	469
Education additional tax	491	523	632	322	335
stamp duty	–	160	316	91	424
Others	–	2	5	2	1
Total	10,998	3,882	1,838	866	1,229

(b) Staff costs

	Year ended December 31,			Six months ended June 30,	
	2015	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Short-term employee benefits					
Salaries, bonuses, allowance and subsidies	30,606	32,255	19,772	11,964	9,565
Housing funds	918	752	630	323	306
Social insurance	614	499	456	244	210
Medical insurance	520	450	406	216	190
Maternity insurance	75	41	36	19	15
Employment injury insurance	19	8	14	9	5
Labor union fees and staff education expenses	227	180	151	77	77
Subtotal	32,365	33,686	21,009	12,608	10,158
Defined contribution benefits	1,372	1,150	1,000	522	478
Total	33,737	34,836	22,009	13,130	10,636

(c) Other operating expenses included material consumption and low value consumption, travel expense, entertainment expense and business promotion fee.

12 INCOME TAX EXPENSE

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

	Year ended December 31,			Six months ended June 30,	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Current income tax	18,878	21,361	29,129	10,270	19,807
Deferred income tax *(Note 21)*	(2,189)	(2,395)	(1,235)	–	1,590
Income tax expense	16,689	18,966	27,894	10,270	21,397

(a) PRC corporate income tax

The corporate income tax ("CIT") is calculated based on the statutory profit in accordance with the PRC tax laws and regulations. The standard PRC CIT rate is 25% during the Track Record Period.

The tax on CIMC Finance's profit before income tax differs from the theoretical amount during the Track Record Period is as follows:

	Year ended December 31,			Six months ended June 30,	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Profit before income tax	65,932	75,128	110,834	41,081	85,587
Tax calculated at tax rate of 25%	16,483	18,782	27,708	10,270	21,397
Tax effect of expenses not deductible for tax purpose	206	184	186	–	–
Income tax expense	16,689	18,966	27,894	10,270	21,397

13 FINANCIAL INSTRUMENTS BY CATEGORY

	As at December 31,			As at June 30,
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Assets as per statement of financial position				
Loans and receivables/financial assets at amortised cost:				
Cash and balances with central banks	316,183	504,795	487,824	516,831
Deposits with banks and other financial institutions	769,598	1,372,760	1,666,836	1,077,952
Placements with and loans to banks and other financial institutions	500,000	624,330	71,876	251,431
Loans and advances to customers	4,258,308	4,241,478	4,704,986	4,911,797
Financial assets held under resale agreements	–	999,926	1,200,379	587,711
Other assets	16,293	30,756	10,814	20,193
Available-for-sale financial assets	30,000	30,803	28,660	–
Investment securities at fair value through other comprehensive income	–	–	–	29,620
Total	5,890,382	7,804,848	8,171,375	7,395,535
Liabilities as per statement of financial position				
Placements from banks and other financial institutions	279,225	34,685	–	–
Financial assets sold under repurchase agreements	234,258	28,762	48,487	51,910
Due to customers	4,565,020	6,826,746	7,215,743	6,437,557
Other liabilities	73,582	134,651	53,915	52,188
Total	5,152,085	7,024,844	7,318,145	6,541,655

14 CASH AND BALANCES WITH CENTRAL BANKS

	As at December 31,			As at June 30,
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Mandatory reserve deposits with central banks	314,931	503,424	484,672	514,670
Surplus reserve deposits with central banks	1,252	1,371	3,152	2,161
Total	316,183	504,795	487,824	516,831

CIMC Finance places mandatory reserve deposits with the PBOC. These include RMB reserve deposits and foreign currency reserve deposits. These mandatory reserve deposits are not available for CIMC Finance's daily operations.

The mandatory reserve deposits rate with the PBOC as follow:

	As at December 31,			As at June 30,
	2015	2016	2017	2018
Percentage of RMB deposits	7.5%	7.0%	7.0%	7.0%
Proportion of foreign currency deposit	5.0%	5.0%	5.0%	5.0%

15 DEPOSITS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at December 31,			As at June 30,
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Domestic banks and other financial institutions	769,598	1,372,760	1,666,836	1,077,952
Allowance for impairment losses – collectively assessed	–	–	–	–
Deposits with Banks and other financial institutions, net	769,598	1,372,760	1,666,836	1,077,952

As at June 30, 2018, the carrying amount of deposits with banks and other financial institutions which have been pledged as deposit was RMB23,403,000 (December 31, 2017: RMB63,895,000, December 31, 2016: RMB56,443,000, December 31, 2015: RMB13,578,000). These deposits were mainly cash deposit pledged with banks.

16 PLACEMENTS WITH AND LOANS TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at December 31,			As at June 30,
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Domestic banks and other financial institutions	500,000	624,330	71,876	251,431
Allowance for impairment losses – collectively assessed	–	–	–	–
Placements with and loans to banks and other financial institutions, net	500,000	624,330	71,876	251,431

17 LOANS AND ADVANCES TO CUSTOMERS

Analysis of loans and advances to customers:

	As at December 31,			As at June 30,
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Corporate loans and advances	3,185,150	3,820,672	4,670,277	4,834,464
Discounted bills	1,083,158	440,806	54,709	128,465
Subtotal	4,268,308	4,261,478	4,724,986	4,962,929
Allowance for impairment losses – Collectively assessed	(10,000)	(20,000)	(20,000)	(51,132)
Loans and advances to customers, net	4,258,308	4,241,478	4,704,986	4,911,797
Identified impaired gross loans and advances as a% of total gross loans and advances	0.33%	0.52%	0.43%	1.06%

Movements of the allowance for impairment losses on loans and advances to customers:

	As at December 31,			As at June 30,
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Opening balance	–	(10,000)	(20,000)	(49,721)
Impairment allowance on loans charged	(10,000)	(10,000)	–	(1,411)
Closing balance	(10,000)	(20,000)	(20,000)	(51,132)

The composition of loans and advances to customers by security type is analysed as follows:

	As at December 31,			As at June 30,
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unsecured loans	3,029,436	2,314,691	3,028,579	3,487,329
Guaranteed loans	134,514	1,007,202	1,594,602	1,259,274
Pledged loans	21,200	498,779	47,096	87,861
Total	3,185,150	3,820,672	4,670,277	4,834,464
Discounted bills	1,083,158	440,806	54,709	–
Fair value through other comprehensive income	–	–	–	128,465
Allowance for impairment losses				
– Collectively assessed	(10,000)	(20,000)	(20,000)	(51,132)
Loans and advances to customers, net	4,258,308	4,241,478	4,704,986	4,911,797

The composition of loans and advances to customers by geographical area is analysed as follows:

	As at December 31,			As at June 30,
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Guangdong	781,835	1,277,027	1,347,202	1,620,007
Shandong	720,113	920,653	1,166,031	1,226,704
Tianjin	140,420	92,331	1,137,902	436,949
Anhui	555,806	348,192	316,374	576,941
Jiangsu	892,034	424,249	249,151	246,288
Henan	63,331	36,394	158,511	277,443
Fujian	459,254	660,784	87,861	61,768
Beijing	16,389	1,372	56,460	41,066
Shaanxi	17,466	27,348	48,188	119,095
Hunan	15,491	–	41,465	47,135
Liaoning	345,315	211,793	26,326	42,491
Guangxi	–	–	22,353	15,198
Hubei	28,001	10,000	20,000	10,000
Hebei	44,557	–	16,778	17,370
Zhejiang	24,064	24,572	14,795	50,986
Yunnan	–	2,592	9,755	23,909
Jiangxi	2,182	2,767	1,962	768
Sichuan	51,306	2,663	1,764	1,279
Jilin	993	2,676	1,111	283
Guizhou	–	–	997	3,702
Chongqing	775	216,065	–	–
Xinjiang	1,589	–	–	–
Shanxi	97,193	–	–	17,231
Shanghai	4,109	–	–	126,316
Heilongjiang	2,910	–	–	–
Gansu	3,175	–	–	–
	4,268,308	4,261,478	4,724,986	4,962,929
Allowance for impairment losses				
– Collectively assessed	(10,000)	(20,000)	(20,000)	(51,132)
Loans and advances to customers, net	4,258,308	4,241,478	4,704,986	4,911,797

The composition of loans and advances to customers by industry is analyzed as follows:

	As at December 31, 2015	2016	2017	As at June 30, 2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Manufacturing	1,982,650	2,466,908	2,570,266	3,825,405
Finance	1,140,500	1,024,331	1,698,677	524,449
Real estate	–	265,124	290,313	310,752
Transportation, logistics and postal services	–	54,309	91,355	163,793
Commercial services	62,000	10,000	19,666	10,065
Total	3,185,150	3,820,672	4,670,277	4,834,464
Discounted bills	1,083,158	440,806	54,709	–
Fair value through other comprehensive income	–	–	–	128,465
Allowance for impairment losses				
– Collectively assessed	(10,000)	(20,000)	(20,000)	(51,132)
Loans and advances to customers, net	4,258,308	4,241,478	4,704,986	4,911,797

18 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	As at December 31, 2015	2016	2017	As at June 30, 2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Debt securities issued by Financial institutions	–	30,803	28,660	–
Equity instruments	30,000	–	–	–
Total	30,000	30,803	28,660	–

19 INVESTMENT SECURITIES AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at June 30, 2018
	RMB'000
Debt securities	
Unlisted	29,620
Total	29,620

20 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

	As at December 31,			As at June 30,
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Analyzed by collateral type:				
Debt securities	–	999,926	1,200,379	587,711

21 DEFERRED INCOME TAX

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The amounts, determined after appropriate offsetting, are shown on the statements of financial position as follows:

	As at December 31,			As at June 30,
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deferred tax assets:				
– to be recovered after more than 12 months	856	778	1,502	1,228
– to be recovered within 12 months	10,859	13,332	14,605	13,022
	11,715	14,110	16,107	14,250
Deferred tax liabilities:				
– to be recovered after more than 12 months	–	–	–	–
– to be recovered within 12 months	–	–	–	–
	–	–	–	–

The movement on the deferred income tax account is as follows:

	Year ended December 31,			Six months ended June 30,
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of the year/period	9,526	11,715	14,110	16,107
Tax credit/(charge) to profit or loss	2,189	2,395	1,235	(1,590)
Tax credit/(charge) to other comprehensive income	–	–	762	(267)
At end of the year/period	11,715	14,110	16,107	14,250

Movement in deferred income tax assets and liabilities during the Track Record Period, without taking into consideration the offsetting of balance within the same tax jurisdiction, is as follows:

Deferred tax liabilities	**Property and equipment**	**Total**
	RMB'000	*RMB'000*
As at January 1, 2015	–	–
Charged/(credited) to profit or loss	(73)	(73)
At December 31, 2015	(73)	(73)
Charged/(credited) to profit or loss	22	22
At December 31, 2016	(51)	(51)
Charged/(credited) to profit or loss	4	4
At December 31, 2017	(47)	(47)
Charged/(credited) to profit or loss	10	10
At June 30, 2018	(37)	(37)

Deferred tax assets	**Intangible assets**	**Payroll payables**	**Available-for-sale financial assets**	**Fair value through other comprehensive income**	**Accrued expenses**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at January 1, 2015	815	8,086	–	–	625	9,526
Credited to profit or loss	41	2,143	–	–	78	2,262
At December 31, 2015	856	10,229	–	–	703	11,788
(Charged)/credited to profit or loss	(77)	2,084	–	–	366	2,373
At December 31, 2016	779	12,313	–	–	1,069	14,161
(Charged)/credited to profit or loss	(39)	553	–	–	717	1,231
Credited to other comprehensive income	–	–	762	–	–	762
At December 31, 2017	740	12,866	762	–	1,786	16,154
Changes upon initial adoption of HKFRS 9	–	–	(762)	762	–	–
Charged to profit or loss	(7)	(817)	–	–	(776)	(1,600)
Charged to other comprehensive income	–	–	–	(267)	–	(267)
At June 30, 2018	733	12,049	–	495	1,010	14,287

22 OTHER ASSETS

	As at December 31,			As at June 30,
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Interest receivable (a)	15,238	21,620	8,481	7,590
Foreign exchange settlement	–	7,561	–	–
Other receivables (b)	1,055	1,575	2,334	12,603
Property and equipment (c)	4,467	3,067	2,263	2,577
Intangible assets (d)	3,374	3,406	2,557	2,010
Total	24,134	37,229	15,635	24,780

(a) Interest receivable primarily include interest from Loans and advances to customers RMB5,242,000 (2017: RMB4,922,000, 2016: RMB12,424,000, 2015: RMB7,910,000) and Deposits with banks and other financial institutions RMB1,805,000 (2017: RMB1,747,000, 2016: RMB8,120,000, 2015: RMB6,760,000).

(b) Other receivables

The aging analysis of other receivables is as follows:

	As at December 31,			As at June 30,
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within a year	854	550	1,539	11,479
1-2 years	201	1,025	603	329
2-3 years	–	–	192	602
Above 3 years	–	–	–	193
	1,055	1,575	2,334	12,603

(c) Property and equipment

	Buildings	Motor vehicles	Office and other equipment	Leasehold improvements	Construction in process	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost						
As at January 1, 2015	813	1,509	2,726	931	2,166	8,145
Transfer	–	–	115	–	(115)	–
Other additions/(decrease)	–	–	197	1,822	(2,051)	(32)
As at December 31, 2015	813	1,509	3,038	2,753	–	8,113
Accumulated depreciation						
As at January 1, 2015	(2)	(616)	(1,386)	–	–	(2,004)
Depreciation charge	(24)	(272)	(360)	(986)	–	(1,642)
As at December 31, 2015	(26)	(888)	(1,746)	(986)	–	(3,646)
Net book value						
As at December 31, 2015	787	621	1,292	1,767	–	4,467

	Buildings	Motor vehicles	Office and other equipment	Leasehold improvements	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost					
As at January 1, 2016	813	1,509	3,038	2,753	8,113
Additions	–	–	76	–	76
Disposals	–	–	(161)	–	(161)
As at December 31, 2016	813	1,509	2,953	2,753	8,028
Accumulated depreciation					
As at January 1, 2016	(26)	(888)	(1,746)	(986)	(3,646)
Depreciation charge	(24)	(272)	(348)	(741)	(1,385)
Disposals	–	–	70	–	70
As at December 31, 2016	(50)	(1,160)	(2,024)	(1,727)	(4,961)
Net book value					
As at December 31, 2016	763	349	929	1,026	3,067

	Buildings *RMB'000*	Motor vehicles *RMB'000*	Office and other equipment *RMB'000*	Leasehold improvements *RMB'000*	Total *RMB'000*
Cost					
As at January 1, 2017	813	1,509	2,953	2,753	8,028
Additions	–	–	109	–	109
Disposals	–	–	(20)	–	(20)
As at December 31, 2017	813	1,509	3,042	2,753	8,117
Accumulated depreciation					
As at January 1, 2017	(50)	(1,160)	(2,024)	(1,727)	(4,961)
Depreciation charge	(24)	(199)	(283)	(398)	(904)
Disposals	–	–	11	–	11
As at December 31, 2017	(74)	(1,359)	(2,296)	(2,125)	(5,854)
Net book value					
As at December 31, 2017	739	150	746	628	2,263
Cost					
As at January 1, 2018	813	1,509	3,042	2,753	8,117
Additions	–	–	595	65	660
As at June 30, 2018	813	1,509	3,637	2,818	8,777
Accumulated depreciation					
As at January 1, 2018	(74)	(1,359)	(2,296)	(2,125)	(5,854)
Depreciation charge	(12)	–	(123)	(211)	(346)
As at June 30, 2018	(86)	(1,359)	(2,419)	(2,336)	(6,200)
Net book value					
As at June 30, 2018	727	150	1,218	482	2,577

(d) Intangible assets

	Software
	RMB'000
Cost	
As at January 1, 2015	6,009
Additions	4,489
As at December 31, 2015	10,498
Accumulated amortisation	
As at January 1, 2015	(5,802)
Amortisation	(1,322)
As at December 31, 2015	(7,124)
Net book value	
As at December 31, 2015	3,374
Cost	
As at January 1, 2016	10,498
Additions	795
As at December 31, 2016	11,293
Accumulated amortisation	
As at January 1, 2016	(7,124)
Amortisation	(885)
Disposals	122
As at December 31, 2016	(7,887)
Net book value	
As at December 31, 2016	3,406

	Software
	RMB'000
Cost	
As at January 1, 2017	11,293
Additions	225
As at December 31, 2017	11,518
Accumulated amortisation	
As at January 1, 2017	(7,887)
Amortisation	(1,074)
As at December 31, 2017	(8,961)
Net book value	
As at December 31, 2017	2,557
Cost	
As at January 1, 2018	11,518
Additions	–
As at June 30, 2018	11,518
Accumulated amortisation	
As at January 1, 2018	(8,961)
Amortisation	(547)
As at June 30, 2018	(9,508)
Net book value	
As at June 30, 2018	2,010

23 SHARE CAPITAL

	Par value per share	Number of shares	Share capital
	RMB		*RMB'000*
As at December 31, 2015, 2016 and 2017 and June 30, 2018	1	500,000,000	500,000

Currency distribution for the share capital is as follow:

	As at December 31, 2015, 2016 and 2017 and June 30, 2018	
	Original currency	Equivalent RMB
CIMC (USD'000)	7,500	53,166
CIMC (RMB'000)	446,834	446,834
Total		500,000

The paid-in capital has been verified by Tianjian Guanghua (Beijing) Accounting Firm, and the verification report of Tianjian Guanghua Shenzhen branch (2009) was issued on December 3, 2009.

24 RESERVES

	Surplus reserve	General reserve	Investment revaluation reserve	Sub-total	Retained earnings	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2015	24,204	81,527	–	105,731	69,516	175,247
Surplus reserve (a)	4,924	–	–	4,924	(4,924)	–
Profit for the year	–	–	–	–	49,243	49,243
Dividends declared	–	–	–	–	(20,327)	(20,327)
At December 31, 2015	29,128	81,527	–	110,655	93,508	204,163
At January 1, 2016	29,128	81,527	–	110,655	93,508	204,163
Surplus reserve (a)	5,616	–	–	5,616	(5,616)	–
General reserve (b)	–	27,949	–	27,949	(27,949)	–
Investment revaluation reserve	–	–	(1,111)	(1,111)	–	(1,111)
Profit for the year	–	–	–	–	56,162	56,162
Dividends declared	–	–	–	–	(22,159)	(22,159)
At December 31, 2016	34,744	109,476	(1,111)	143,109	93,946	237,055
At January 1, 2017	34,744	109,476	(1,111)	143,109	93,946	237,055
Surplus reserve	8,294	–	–	8,294	(8,294)	–
General reserve	–	5,950	–	5,950	(5,950)	–
Investment revaluation reserve	–	–	(1,176)	(1,176)	–	(1,176)
Profit for the year	–	–	–	–	82,940	82,940
Dividends declared	–	–	–	–	(11,299)	(11,299)
At December 31, 2017	43,038	115,426	(2,287)	156,177	151,343	307,520
Balance as at December 31, 2017	43,038	115,426	(2,287)	156,177	151,343	307,520
Changes arising from measurement upon initial HKFRS 9 application	–	–	–	–	(22,291)	(22,291)
Balance as at January 1, 2018	43,038	115,426	(2,287)	156,177	129,052	285,229
Investment revaluation reserve	–	–	799	799	–	799
Profit for the year	–	–	–	–	64,190	64,190
Dividends declared	–	–	–	–	(34,348)	(34,348)
At June 30, 2018	43,038	115,426	(1,488)	156,976	158,894	315,870

(a) Under PRC Law, CIMC Finance is required to transfer 10% of its net profit determined under the PRCGAAP to a non-distributable statutory surplus reserve. Appropriation to the statutory surplus reserve may cease when the balance of this reserve has reached 50% of share capital. Pursuant to there solution of the Board of Directors' Meeting, an appropriation of 10% of the profit for the current period, determined under the generally accepted accounting principles of the PRC.

Subject to the approval of the ordinary equity holders, the statutory surplus reserve can be used for replenishing accumulated losses or increasing CIMC Finance's ordinary share capital. The statutory surplus reserve amount used to increase the ordinary share capital is limited to a level where the balance of the statutory surplus reserve after such capitalization is not less than 25% of the ordinary share capital.

(b) Pursuant to Caijin [2012] No. 20 "Requirements on Impairment Allowance for Financial Institutions" (the "Requirement") issued by the Ministry of Finance, effective July 1, 2012. A financial company shall make general provision at the end of the year for the distribution of profits. The general provision, after being filed by the financial department at the same level, may be used to cover losses, but shall not be used for dividends. The general reserve balance shall not be less than 1.5% of the risk assets balance.

25 PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at December 31,			As at June 30,
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Placements from:				
Domestic banks and other financial institutions	279,225	34,685	–	–

26 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	As at December 31,			As at June 30,
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bills (a)	234,258	28,762	48,487	51,910

(a) CIMC Finance pledged the discounted but not yet matured bills to the people's bank of China with the interest rate of 2.25%.

27 DUE TO CUSTOMERS

	As at December 31,			As at June 30,
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Demand deposits	2,539,884	3,871,784	4,297,264	3,755,799
Time deposits	1,142,427	1,389,045	1,426,310	1,168,345
Call deposits	880,871	1,537,740	1,461,387	1,493,244
Pledged deposits (a)	1,838	28,177	30,782	20,169
Total	4,565,020	6,826,746	7,215,743	6,437,557

(a) Analysis by activity to which pledged deposits are related to:

	As at December 31,			As at June 30,
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bill discount guarantee	337	14,783	1,270	279
Bank notes deposit	–	6,808	18,090	–
Purchase financing deposit	–	4,731	–	–
Customer credit guarantee	–	1,159	11,356	19,824
Others	1,501	696	66	66
Total	1,838	28,177	30,782	20,169

28 OTHER LIABILITIES

	As at December 31, 2015	2016	2017	As at June 30, 2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Foreign exchange settlement	–	7,561	–	–
Staff costs payable	40,918	49,254	51,467	48,210
Interest payable (a)	67,600	119,173	25,803	45,656
Deferred charges and commission	5,375	2,125	625	–
Marketing expense payable	2,311	3,776	5,751	3,687
Clearing and settlement	500	1,439	18,880	774
Income taxes payable *(note 12)*	4,444	8,304	10,451	2,992
VAT and other taxes payable	2,953	3,848	4,095	5,645
Others	3,171	2,703	3,481	2,071
Total	127,272	198,183	120,553	109,035

(a) Interest payable

	As at December 31, 2015	2016	2017	As at June 30, 2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Interest on the following services:				
Due to customers	67,347	118,987	25,799	45,653
Business borrowing	245	122	–	–
Placements with and loans to banks and other financial institutions	8	37	2	3
Others	–	27	2	–
Total	67,600	119,173	25,803	45,656

29 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following balances with an original maturity of three months or less:

	As at December 31, 2015	2016	2017	As at June 30, 2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Deposits with banks and other financial institutions	756,020	1,316,317	1,602,941	1,168,603	1,054,549
Financial assets held under resale agreements	–	999,926	1,200,379	1,020,166	587,711
Placements with and loans to banks and other financial institutions	500,000	624,330	71,876	135,488	251,431
Balance with central banks	1,252	1,371	3,152	1,463	2,161
Total	1,257,272	2,941,944	2,878,348	2,325,720	1,895,852

30 COMMITMENTS

(a) Credit commitments

	As at December 31,			As at June 30,
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bank acceptance note	650,993	508,944	417,506	383,930
Guarantee	6,162	28,396	7,559	40,936
	657,155	537,340	425,065	424,866

(b) Operating lease commitments

CIMC Finance leases buildings under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	As at December 31,			As at June 30,
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	4,003	3,369	4,259	4,362
Between 1 to 5 years	8,987	5,618	2,615	425
	12,990	8,987	6,874	4,787

31 RELATED-PARTY TRANSACTIONS

CIMC Finance's immediate holding company and ultimate holding company are China International Marine Containers (Group) Ltd. incorporated in the People's Republic of China.

In addition to those disclosed elsewhere in the Historical Financial Information, the following is a summary of the significant transactions carried out between CIMC Finance and its related parties in the ordinary course of business during the Track record periods and balances arising from related party transactions as at December 31, 2015, 2016 and 2017 and June 30, 2018.

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

Name of entities	Relationship with CIMC Finance
China International Marine Containers (Group) Co., Ltd.	Ultimate holding company
Albert Ziegler GmbH	Fellow subsidiary
Anhui United Feicai Vehicle Co., Ltd.	Fellow subsidiary
Anhui CIMC Vehicle Logistics Equipment Co., Ltd.	Fellow subsidiary
Enric (Bengbu) Compressor Co., Ltd.	Fellow subsidiary
Enric (Langfang) Energy Equipment Integration Co., Ltd.	Fellow subsidiary
Baijian Container Mechanical Maintenance(Shanghai) Co., Ltd.	Fellow subsidiary
Baijian Container Mechanical Maintenance(Shenzhen) Co., Ltd.	Fellow subsidiary
Enric (Beijing) Energy Technology Co., Ltd.	Fellow subsidiary
Beijing CIMC Vehicle Sales Service Co., Ltd.	Fellow subsidiary
Beijing CIMC Fine New Phase Energy Technology Co., Ltd.	Fellow subsidiary
Beijing CIMC Tianhao Technology Co., Ltd.	Fellow subsidiary
Chengdu CIMC Industrial Park Management Co., Ltd.	Fellow subsidiary
Chengdu CIMC Industrial Park Investment and Development Co., Ltd.	Fellow subsidiary
Chengdu CIMC Transportation Equipment Manufacturing Co., Ltd.	Fellow subsidiary
Dalian Zhenhua International Shipping Agency Co., Ltd.	Fellow subsidiary
Dalian CIMC Special Logistics Equipment Co., Ltd.	Fellow subsidiary
Dalian CIMC Railway Equipment Co., Ltd.	Fellow subsidiary
Dalian CIMC Logistics Equipment Co., Ltd.	Fellow subsidiary
Dalian CIMC Heavy Logistics Equipments Co., Ltd.	Fellow subsidiary
Deli Kyushu Logistics Automation System (Beijing) Co., Ltd.	Fellow subsidiary
Dongguan Jiwang Industrial Park Co., Ltd.	Fellow subsidiary
Dongguan Southern CIMC Logistic Equipment Manufacturing Co., Ltd.	Fellow subsidiary
Dongguan CIMC Cloud Entrepreneurship Industrial Park Cci Capital Ltd.	Fellow subsidiary
Dongguan CIMC Innovation Industrial Park Development Co., Ltd.	Fellow subsidiary
Donghwa Container Transportation Service Co., Ltd.	Fellow subsidiary
Foshan CIMC Logistics Equipment Co., Ltd.	Fellow subsidiary
Gansu CIMC Huajun Vehicle Co., Ltd.	Fellow subsidiary
Guangdong Xinhui Modular Building Manufacturing Co., Ltd.	Fellow subsidiary
Guangdong XINHUI CIMC Special Transportation Equipment Co., Ltd.	Fellow subsidiary
Guangdong CIMC Building Construction Co., Ltd.	Fellow subsidiary
Guangdong CIMC Eco New Material Development Co., Ltd.	Fellow subsidiary
Guangzhou CIMC Vehicle Logistics Equipment Co., Ltd.	Fellow subsidiary
Guangzhou CIMC Vehicle Sales Co., Ltd.	Fellow subsidiary
Guangzhou CIMC Container Maintenance Service Co., Ltd.	Fellow subsidiary
Haiyang CIMC Raffles Offshore Ltd.	Fellow subsidiary
Mangrove Fund Management (Shenzhen) Co., Ltd.	Fellow subsidiary
Hubei CIMC Vehicle Sales Service Co., Ltd.	Fellow subsidiary
Hunan CIMC Bamboo Industry Development Co., Ltd.	Fellow subsidiary
Huizhou Andrei Transportation Co., Ltd.	Fellow subsidiary
C&C Trucks Marketing Service Co., Ltd.	Fellow subsidiary
Ji Rui Joint Heavy Industry Co., Ltd.	Fellow subsidiary
Jinan CIMC Vehicle Logistics Equipment Co., Ltd.	Fellow subsidiary
Jiaxing CIMC Wood Co., Ltd.	Fellow subsidiary
Jiangmen CIMC Tianyu Investment Co., Ltd.	Fellow subsidiary

Name of entities	Relationship with CIMC Finance
Jiangmen CIMC Tianyu Property Management Co., Ltd.	Fellow subsidiary
Jiangsu Trailer Leasing Co., Ltd.	Fellow subsidiary
Jiangsu Kaitong Shipping Co., Ltd.	Fellow subsidiary
Jiangsu CIMC Vehicle Sales and Service Co., Ltd.	Fellow subsidiary
Jingmen Hongtu Special Aircraft Manufacturing Co., Ltd.	Fellow subsidiary
Kunshan CIMC Automatic Logistic Equipment Co., Ltd.	Fellow subsidiary
Langfang CIMC Airport Equipment Limited Company	Fellow subsidiary
Lianyungang Zhenhua International Shipping Agency Co., Ltd.	Fellow subsidiary
Liangshan Dongyue Vehicle Co., Ltd.	Fellow subsidiary
Liaoning CIMC Vehicle Logistics Equipment Co., Ltd.	Fellow subsidiary
Liaoning CIMC Hashenleng Gas Liquefaction Plant Co., Ltd.	Fellow subsidiary
Longkou CIMC Raffles Offshore Engineering Co., Ltd	Fellow subsidiary
Longyan CIMC New Materials Development Co., Ltd.	Fellow subsidiary
Luoyang CIMC Lingyu Automobile Co., Ltd.	Fellow subsidiary
Civil Aviation Association Airport Equipment Co., Ltd.	Fellow subsidiary
Nanjing Yangzi Petrochemical Design & Engineering Co., Ltd.	Fellow subsidiary
Nanning CIMC Vehicle Logistics Equipment Co., Ltd.	Fellow subsidiary
Nantong Xinyang Environmental Protection Panel Co., Ltd.	Fellow subsidiary
Nantong Yongxin Logistics Co., Ltd.	Fellow subsidiary
Nantong CIMC Large-sized Tank Co., Ltd.	Fellow subsidiary
Nantong CIMC Tank Equipment Co., Ltd.	Fellow subsidiary
Nantong CIMC Energy Equipment Co., Ltd.	Fellow subsidiary
Nantong CIMC Shunda Containers Co., Ltd.	Fellow subsidiary
Nantong CIMC SinoPacific Offshore & Engineering Co., Ltd.	Fellow subsidiary
Nantong CIMC Special Logistics Equipment Development Co., Ltd.	Fellow subsidiary
Nantong CIMC Special Transportation Equipment Manufacture Co., Ltd.	Fellow subsidiary
Inner Mongolia Holonbuir CIMC Wood Co., Ltd.	Fellow subsidiary
Neimenggu CIMC Vehicle Logistics Equipment Co., Ltd.	Fellow subsidiary
Ningbo Runxin Container Co., Ltd.	Fellow subsidiary
Ningbo MRO Trading Co., Ltd.	Fellow subsidiary
Ningbo Zhenhua International Shipping Agency Co., Ltd.	Fellow subsidiary
Ningbo CIMC Container Service Co., Ltd.	Fellow subsidiary
Ningbo CIMC Container Manufacture Co., Ltd.	Fellow subsidiary
Ningbo CIMC Logistic Equipment Co., Ltd.	Fellow subsidiary
Ningguo CIMC Wood Co., Ltd.	Fellow subsidiary
Qingdao Hengfeng Logistics Co., Ltd.	Fellow subsidiary
Qingdao Lida Chemical Co., Ltd.	Fellow subsidiary
Qingdao Lida New Rubber & Plastic Products Co., Ltd.	Fellow subsidiary
Qingdao CIMC Innovation Industrial Park Development Co., Ltd.	Fellow subsidiary
Qingdao CIMC Eco-Equipment Co., Ltd.	Fellow subsidiary
Qingdao CIMC Container Manufacture Co., Ltd.	Fellow subsidiary
Qingdao CIMC Reefer Container Manufacture Co., Ltd.	Fellow subsidiary
Qingdao Refrigeration Transport Equipment Co., Ltd.	Fellow subsidiary
Qingdao CIMC Special Reefer Co., Ltd.	Fellow subsidiary
Qingdao CIMC Special Vehicle Co., Ltd.	Fellow subsidiary
RuiJi Logistics(Wuhu) Co., Ltd.	Fellow subsidiary
Xiamen Hongji Trade Co., Ltd.	Fellow subsidiary
Xiamen Hongxin Berg Leasing Co., Ltd.	Fellow subsidiary
Xiamen CIMC Vehicle Logistics Equipment Co., Ltd.	Fellow subsidiary
Shandong MasterCard Special Purpose Vehicle Manufacturing Co., Ltd.	Fellow subsidiary
Shandong Zhenhua Logistics Co., Ltd.	Fellow subsidiary
Shanxi CIMC Vehicle Sales and Service Co., Ltd.	Fellow subsidiary
Shanxi CIMC Industrial Park Management Co., Ltd.	Fellow subsidiary
Shaanxi CIMC Vehicle Industrial Park Investment Development Co., Ltd.	Fellow subsidiary
Shaanxi CIMC Vehicle Logistics Equipment Co., Ltd.	Fellow subsidiary
Shanghai Lifan Container Service Co., Ltd.	Fellow subsidiary

Name of entities	Relationship with CIMC Finance
Shanghai Tijie Gass Engineering Co., Ltd.	Fellow subsidiary
Shanghai Xinzhitu Logistics	Fellow subsidiary
Shanghai Zhenhua International Shipping Agencies Ltd.	Fellow subsidiary
Shanghai CIMC Baojian Automobile Comprehensive Testing Co., Ltd.	Fellow subsidiary
Shanghai CIMC Baowell Industries Co., Ltd.	Fellow subsidiary
Shanghai CIMC Vehicle Logistics Equipments Co., Ltd.	Fellow subsidiary
Shanghai CIMC Reefer Containers Co., Ltd.	Fellow subsidiary
Shanghai CIMC Automobile Inspection and Repair Co., Ltd.	Fellow subsidiary
Shanghai CIMC Automobile Sales and Service Co., Ltd.	Fellow subsidiary
Shanghai CIMC Yangshan Logistics Equipments Co., Ltd.	Fellow subsidiary
Shanghai CIMC Special Vehicle Co., Ltd.	Fellow subsidiary
Shenzhen Heben Technology Co., Ltd.	Fellow subsidiary
Shenzhen Southern CIMC Eastern Logistics Equipment Manufacturing Co., Ltd.	Fellow subsidiary
Shenzhen Southern CIMC Containers Service Co., Ltd.	Fellow subsidiary
Shenzhen Southern CIMC Containers Manufacture Co., Ltd.	Fellow subsidiary
Shenzhen South CIMC Logistics Co., Ltd.	Fellow subsidiary
Shenzhen Full Moon Floor Hotel Management Co., Ltd.	Fellow subsidiary
Shenzhen CIMC Industry & City Development Co., Ltd.	Fellow subsidiary
Shenzhen CIMC City Development Group Co., Ltd. Trade Union Committee	Fellow subsidiary
Shenzhen CIMC Jun Yu Real Estate Co., Ltd.	Fellow subsidiary
Shenzhen CIMC Wood Co., Ltd.	Fellow subsidiary
Shenzhen CIMC Investment Co., Ltd.	Fellow subsidiary
Shenzhen CIMC Property Services Co., Ltd.	Fellow subsidiary
Shenzhen CIMC Property Services Co., Ltd. Jingying Home Service Center	Fellow subsidiary
Shenzhen Sky Capital Co., Ltd.	Fellow subsidiary
Shenzhen Qianhai CIMC Qigu Investment Co., Ltd.	Fellow subsidiary
Shenzhen CIMC Vehicle Marketing Service Co., Ltd.	Fellow subsidiary
Shenzhen CIMC Vehicle Park Investment Management Co., Ltd.	Fellow subsidiary
Shenzhen CIMC Electricity Logistics Technology Co., Ltd.	Fellow subsidiary
Shenzhen CIMC Modular Housing Co., Ltd.	Fellow subsidiary
Shenzhen CIMC Tianda Jilon Aeronautical Refrigeration Co., Ltd.	Fellow subsidiary
Shenzhen CIMC-Tianda Airport Support Ltd.	Fellow subsidiary
Shenzhen CIMC Tianda Logistics System Engineering Co., Ltd	Fellow subsidiary
Shenzhen CIMC Investment Holding Company	Fellow subsidiary
Shenzhen CIMC New Cheng Automobile Supply Chain Management Co., Ltd.	Fellow subsidiary
Shenzhen CIMC Yantian Container Service Co., Ltd.	Fellow subsidiary
Shenzhen CIMC Intelligent Technology Co., Ltd.	Fellow subsidiary
Shenzhen CIMC Intelligent Parking Co., Ltd.	Fellow subsidiary
Shenzhen CIMC Special Car Co., Ltd.	Fellow subsidiary
Shenyang CIMC Industrial Park Investment and Development Co., Ltd.	Fellow subsidiary
Shenyang CIMC Logistic Equipment Co., Ltd.	Fellow subsidiary
Shijiazhuang Enric Gas Machinery Co., Ltd.	Fellow subsidiary
Shijiazhuang CIMC Vehicle Sales & Service Co., Ltd.	Fellow subsidiary
Sichuan CIMC Vehicle Sales Service Co., Ltd.	Fellow subsidiary
Suining CIMC Forestry Co., Ltd.	Fellow subsidiary
Taicang CIMC Containers Co., Ltd.	Fellow subsidiary
CIMC Taicang Refrigeration Equipment logistics Co., Ltd.	Fellow subsidiary
Taicang CIMC Special Logistics Equipment Co., Ltd.	Fellow subsidiary
Tianjin Hong Xin Berg Leasing Co., Ltd.	Fellow subsidiary
Tianjin Port Free Trade Zone Kaichang Petroleum Sales Co., Ltd.	Fellow subsidiary
Tianjin Port CIMC Zhenhua Logistics Co., Ltd.	Fellow subsidiary
Tianjin Guorun Zhenhua Energy Technology Co., Ltd.	Fellow subsidiary
Tianjin Kaisheng Marine engineering equipment Leasing Co., Ltd.	Fellow subsidiary
Tianjin Kangde Logistics Equipment Co., Ltd.	Fellow subsidiary
Tianjin Xima Grams Transportation Co., Ltd.	Fellow subsidiary

Name of entities	Relationship with CIMC Finance
Tianjin Zhenhua Customs Broker Co., Ltd.	Fellow subsidiary
Tianjin Zhenhua International Shipping Agency Co., Ltd.	Fellow subsidiary
Tianjin Zhenhua International Trade Bonded Warehousing Co., Ltd	Fellow subsidiary
Tianjin Zhenhua International Logistics Co., Ltd.	Fellow subsidiary
Tianjin Zhenhua Haijing Logistics Co., Ltd.	Fellow subsidiary
Tianjin CIMC North Ocean Container Co., Ltd.	Fellow subsidiary
Tianjin CIMC Vehicle Logistics Equipments Co., Ltd.	Fellow subsidiary
Tianjin CIMC Containers Co., Ltd.	Fellow subsidiary
Tianjin CIMC Logistics Equipments Co., Ltd.	Fellow subsidiary
Wuhu Jiajing Technology Co., Ltd.	Fellow subsidiary
Wuhu Happy Real Estate Co., Ltd.	Fellow subsidiary
Wuhu CIMC Ruijiang Automobile Co., Ltd.	Fellow subsidiary
Xinhui CIMC Container Co., Ltd.	Fellow subsidiary
Xinhui CIMC Wood Co., Ltd.	Fellow subsidiary
Yantai Tiezhongbao Steel Processing Co., Ltd.	Fellow subsidiary
Yantai CIMC Raffles Offshore Ltd.	Fellow subsidiary
Yangzhou Dechang Yuan Transportation Co., Ltd.	Fellow subsidiary
Yangzhou Lijun Industry and Trade Co., Ltd.	Fellow subsidiary
Yangzhou Runyang Logistics Equipments Co., Ltd.	Fellow subsidiary
Yangzhou Jiayang Asset Management Limited	Fellow subsidiary
Yangzhou Taili Special Equipment Co., Ltd.	Fellow subsidiary
Yangzhou TongLee Reefer Container Co., Ltd.	Fellow subsidiary
Yangzhou Tongli Refrigerated Equipment Co., Ltd.	Fellow subsidiary
Yangzhou CIMC Dayu Real Estate Co., Ltd.	Fellow subsidiary
Yangzhou CIMC Grand Space Real Estate Development Co., Ltd.	Fellow subsidiary
Yangzhou CIMC Hongyu Real Estate Co., Ltd.	Fellow subsidiary
Yangzhou CIMC Huayu Hotel Investment Co., Ltd.	Fellow subsidiary
Yangzhou CIMC Tianyu Investment Co., Ltd.	Fellow subsidiary
Yangzhou CIMC Tianyu Property Management Co., Ltd.	Fellow subsidiary
Yangzhou CIMC Tonghua Machinery Co., Ltd.	Fellow subsidiary
Yangzhou CIMC Tonghua Special Vehicles Co., Ltd.	Fellow subsidiary
Yangzhou CIMC Realty Service Co., Ltd.	Fellow subsidiary
Yangjiang CIMC Real Estate Development Co., Ltd.	Fellow subsidiary
Yangjiang CIMC Property Services Co., Ltd.	Fellow subsidiary
Yinchuan Dechangyuan Transportation Co., Ltd.	Fellow subsidiary
Zhangjiagang Kaitong International Logistics Co., Ltd.	Fellow subsidiary
Zhangjiagang CIMC Sanctum Cryogenic Equipment Machinery Co., Ltd.	Fellow subsidiary
Zhangzhou CIMC Container Co., Ltd.	Fellow subsidiary
Zhejiang CIMC Vehicle Sales and Service Co., Ltd.	Fellow subsidiary
Zhejiang Teng Long Industry Group Co., Ltd.	Fellow subsidiary
Zhenhua Dongjiang (Tianjin) Co., Ltd.	Fellow subsidiary
Zhenhua International Shipping Agency (Qingdao) Co., Ltd.	Fellow subsidiary
Zhenhua Logistics Group Co., Ltd.	Fellow subsidiary
Zhenjiang CIMC Realty Service Co., Ltd.	Fellow subsidiary
Zhengzhou CIMC Vehicle Sales Service Co., Ltd.	Fellow subsidiary
Zhengzhou Jinte Logistics Automation System Co., Ltd.	Fellow subsidiary
Chongqing CIMC Logistics Equipments Co., Ltd.	Fellow subsidiary
CIMC Enric Energy Equipment (Suzhou) Co., Ltd.	Fellow subsidiary
CIMC Enric Investment Holdings (Shenzhen) Ltd	Fellow subsidiary
Xinjiang CIMC Vehicle Logistics Equipment Co., Ltd.	Fellow subsidiary
CIMC Vehicle (Xinjiang) Co., Ltd.	Fellow subsidiary
CIMC Vehicle (Group) Co., Ltd.	Fellow subsidiary
CIMC Vehicle (Jiangmen) Co., Ltd.	Fellow subsidiary
CIMC Vehicle (Liaoning) Co., Ltd.	Fellow subsidiary
CIMC Vehicle (Shandong) Co., Ltd.	Fellow subsidiary

Name of entities	Relationship with CIMC Finance
Ocean Engineering Design & Research Institute of CIMC	Fellow subsidiary
CIMC Deli Logistics System (Suzhou) Co., Ltd.	Fellow subsidiary
CIMC Donghan (Shanghai) Shipping Co., Ltd.	Fellow subsidiary
CIMC Multimodal Transport Development Co., Ltd.	Fellow subsidiary
CIMC Management and Training (Shenzhen) Co., Ltd.	Fellow subsidiary
CIMC Marine Engineering Academe Co., Ltd.	Fellow subsidiary
CIMC Offshore Holdings Co., Ltd.	Fellow subsidiary
CIMC Container Holding Co., Ltd.	Fellow subsidiary
CIMC Cold Chain Investment Co., Ltd.	Fellow subsidiary
CIMC Technology Co., Ltd.	Fellow subsidiary
CIMC Jidong (Qinhuangdao) Vehicles Manufacture Co., Ltd.	Fellow subsidiary
CIMC Kaitong Logistics Development Co., Ltd. (Jiangxi)	Fellow subsidiary
CIMC Kaitong (Shaanxi) Logistics Development Co., Ltd.	Fellow subsidiary
CIMC Kaitong Logistics Development Co., Ltd. (Wuhan)	Fellow subsidiary
CIMC Kaitong Logistics Development Co., Ltd.	Fellow subsidiary
CIMC Cold Chain Research Institute Co., Ltd.	Fellow subsidiary
CIMC Cold Cloud (Beijing) Supply Chain Management Co., Ltd.	Fellow subsidiary
CIMC Modular Building Design & Development. Co., Ltd.	Fellow subsidiary
CIMC Modular Construction Investment Co., Ltd.	Fellow subsidiary
CIMC Financing and Leasing Co., Ltd.	Fellow subsidiary
CIMC Shanxi Automobile Heavy Truck (Xi'an) Special Vehicle Co., Ltd.	Fellow subsidiary
CIMC Shenfa Construction Industry Co., Ltd.	Fellow subsidiary
Nantong CIMC Sanctum Cryogenic Equipment Co., Ltd.	Fellow subsidiary
CIMC Suhang (Changzhou) Logistics Co., Ltd.	Fellow subsidiary
CIMC Tianda Holding (Shenzhen) Co., Ltd.	Fellow subsidiary
CIMC Mordern Logistics Development Co., Ltd.	Fellow subsidiary
CIMC New Environmental Protection Material Co., Ltd.	Fellow subsidiary
CIMC Winfair (Tianjin) Financial Leasing Co., Ltd.	Fellow subsidiary
CIMC Zhenyang (Shanghai) Logistics Co., Ltd.	Fellow subsidiary
Zhongshiyun (Beijing) International Logistics Co., Ltd.	Fellow subsidiary
Chongqing CIMC Vehicle Sales Service Co., Ltd.	Fellow subsidiary
Zhumadian CIMC Huajun Vehicle Trading Co., Ltd.	Fellow subsidiary
Zhumadian CIMC Huajun Vehicle Co., Ltd.	Fellow subsidiary
Zhumadian CIMC Huajun Casting Co., Ltd.	Fellow subsidiary
Zhumadian CIMC Wanjia Axle Co., Ltd.	Fellow subsidiary
China International Marine Containers (Hong Kong) Limited	Fellow subsidiary
CIMC Kaitong Jiangsu International Multimodal Transport Co., Ltd.	Fellow subsidiary
CIMC Qianhai Financial Leasing (Shenzhen) Co., Ltd.	Fellow subsidiary
CIMC Enric Hong Kong Limited	Fellow subsidiary
CIMC Richard Transmission System of Wuxi Co. Ltd.	Fellow subsidiary
Asia Cargo Link Ltd.	Fellow subsidiary
Weihai Shuangyu Electromechanical Engineering Equipment Co., Ltd.	Fellow subsidiary
Yangzhou CIMC Wenchang Commercial Center Management Co., Ltd.	Fellow subsidiary
Zhenhua Dongjiang(Tianjin) Co., Ltd.	Fellow subsidiary
Wuhan Shengji Logistics Transportation Co., Ltd.	Fellow subsidiary
Shenyang CIMC Vehicle Market Management Co., Ltd.	Fellow subsidiary
Shenzhen CIMC Technology Co., Ltd.	Fellow subsidiary
Yantai Zhenhua International Shipping Agent Co., Ltd.	Fellow subsidiary
Yancheng Zhenhua International Shipping Agent Co., Ltd.	Fellow subsidiary
Albert Ziegler GmbH (Beijing) Sales Co., Ltd.	Fellow subsidiary
Sanhe Jingxin Phase Energy Insulation Material Co., Ltd.	Fellow subsidiary
Shanghai CIMC Yangshan Container Service Co., Ltd.	Fellow subsidiary
Dongguan CIMC Elite Apartment Management Company Limited	Fellow subsidiary
Dongguan CIMC Wheat Multimodal Transport Co., Ltd.	Fellow subsidiary
Dongguan CIMC Logistics Equipment Technology Research Institute Co., Ltd.	Fellow subsidiary
Dongguan CIMC Property Service Co., Ltd.	Fellow subsidiary

Name of entities	Relationship with CIMC Finance
Dongguan CIMC Intelligent Technology Co., Ltd.	Fellow subsidiary
Dongguan CIMC Special Vehicle Co., Ltd.	Fellow subsidiary
Beijing CIMC Vehicle Logistics Equipment Co., Ltd.	Fellow subsidiary
Xuzhou CIMC Wood Co., Ltd.	Fellow subsidiary
Shenzhen CIMC Vehicle Sales Co., Ltd.	Fellow subsidiary
Shenzhen CIMC Tongchuang Supply Chain Co., Ltd.	Fellow subsidiary
Shenzhen CIMC Cold Chain Technology Co., Ltd.	Fellow subsidiary
Guangzhou Jinyuanxing Metal Co., Ltd.	An associate of ultimate holding company
Zhejiang Xinlong Bamboo Industry Co., Ltd.	An associate of ultimate holding company
Zhenjiang CIMC Embellish Yu Real Estate Co., Ltd.	An associate of ultimate holding company
NYK Zhenhua Logistics (Tianjin) Co., Ltd.	A joint venture of ultimate holding company
Tianjin Port Free Trade Zone Zhenhua Gas Station	A joint venture of ultimate holding company

(b) Transactions with related parties

Transactions between CIMC Finance and related parties are conducted in accordance with general commercial terms and normal business procedures. The pricing principle is consistent with that of an independent third party transaction. The related party transactions of CIMC Finance are as follows:

Transactions with holding company:

	Year Ended December 31,			Six months ended June 30,	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Receiving amount of due to customers	21,340,974	27,561,363	76,391,103	13,411,837	44,062,969
Paying amounts of due to customers	21,561,931	26,715,837	77,440,056	13,740,743	43,820,349
Lending amounts of loans and advances to customers	316,574	2,330,000	2,024,053	1,560,000	2,332,768
Receiving amounts of loans and advances to customers	706,788	2,330,000	1,762,685	1,560,000	1,864,136
Interest income	309	794	1,850	189	7,590
Interest expense	51,602	55,097	83,098	29,860	37,726
Fee and commission income	13	10	–	–	–

Transactions with fellow subsidiaries:

	Year Ended December 31,			Six months ended June 30,	
	2015	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Receiving amount of due to customers	125,186,152	114,966,116	154,753,622	61,285,005	95,234,579
Paying amounts of due to customers	123,976,547	113,576,256	153,292,710	61,407,322	96,255,580
Lending amounts of loans and advances to customers	7,535,974	11,270,448	10,850,124	4,633,371	4,105,921
Receiving amounts of loans and advances to customers	6,672,373	11,295,907	9,856,594	3,978,973	4,434,726
Interest income	137,382	173,891	192,710	95,513	110,150
Interest expense	31,729	50,059	73,947	26,078	33,211
Fee and commission income	1,545	2,377	2,363	1,170	2,209

(c) Balances with related parties

Balances with holding company:

	As at December 31,			As at June 30,
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Due to customers	1,526,170	2,371,695	1,322,743	1,565,363
Loans and advances to customers	–	–	261,368	730,000
Interest receivable	–	–	154	811
Interest payable	64,718	111,618	18,250	40,024
Other payables	32	–	–	–

Balances with fellow subsidiaries:

	As at December 31,			As at June 30,
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Due to customers	3,037,011	4,426,871	5,887,783	4,871,999
Loans and advances to customers	3,305,159	3,279,699	4,273,229	3,944,424
Interest receivable	7,899	21,561	7,932	3,915
Interest payable	2,637	7,555	7,531	5,631
Other receivables	–	–	–	9,879
Other payables	10	3,439	18,880	1,131

(d) Key management personnel

Key management personnel refer to those who are entitled to plan, direct and control the activities of CIMC Finance. CIMC Finance conducts normal banking transactions with key management personnel in its daily operations.

The remuneration of directors and other key management personnel during the Track Record Period are as follows:

	Year Ended December 31,			Six months ended June 30,	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Salaries, bonuses and staff welfare	4,030	4,110	5,410	3,370	4,600

32 FIDUCIARY ACTIVITIES

	As at December 31,			As at June 30,
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Entrusted loans	2,269,036	531,390	1,313,084	690,500
Entrusted deposits	2,269,036	531,390	1,313,084	690,500

CIMC Finance provides entrusted loan services to CIMC Group members. Entrusted deposits represent funds that depositors have instructed CIMC Finance to make loans to other parties as designated by them. The credit risk remains with the depositors. The entrusted loans and deposits are off-balance sheet items. The income generated from entrusted loan services is record as "Fee and commission income" in the statements of profit or loss.

33 CONTINGENT LIABILITIES

During the Track Record Period, there were no significant contingent liabilities assumed by CIMC Finance.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by CIMC Finance in respect of any period subsequent to June 30, 2018 and up to the date of this report. Save as disclosed in this report, no dividend or distribution has been declared or made by CIMC Finance in respect of any period subsequent to June 30, 2018.

The following is the text of a report set out on pages II(B)-1 to II(B)-3, received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

pwc 羅兵咸永道

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

Introduction

We report on the historical financial information of Shenzhen CIMC Tongchuang Supply Chain Co., Ltd. ("Tongchuang") set out on pages II(B)-4 to II(B)-19, which comprises Tongchuang's statements of financial position as at 31 December 2016 and 2017 and 30 June 2018, and the statements of profit or loss, the statements of changes in equity and the statements of cash flows for the period from 22 March 2016 (date of incorporation) to 31 December 2016 and the year ended 31 December 2017 and for the six months ended 30 June 2018 (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages II(B)-4 to II(B)-19 forms an integral part of this report, which has been prepared for inclusion in the circular of CIMC-TianDa Holdings Company Limited (the "Company") dated 16 October 2018 (the "Circular") in connection with the proposed acquisition of 5% equity interest of Tongchuang by the Company.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Notes 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

The financial statements of Tongchuang for the Track Record Period ("Underlying Financial Statements"), on which the Historical Financial Information is based, were prepared by the directors of the Company based on the previously issued financial statements and management accounts of Tongchuang for the Track Record Period. The directors of Tongchuang are responsible for the preparation of the previously issued financial statements and management accounts of Tongchuang in accordance with the relevant accounting principles generally accepted in its place of incorporation, and for such internal control as the directors determine is necessary to enable the preparation of Tongchuang's financial statements that are free from material misstatement, whether due to fraud or error.

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Reporting accountant's responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Notes 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of Tongchuang as at 31 December 2016 and 2017 and 30 June 2018 and of its financial performance and its cash flows for the Track Record Period in accordance with the basis of preparation set out in Notes 2.1 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of Tongchuang which comprises the statements of profit or loss, the statements of changes in equity and the statements of cash flows for the six months ended 30 June 2017 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of preparation set out in Notes 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountant's report, is not prepared, in all material respects, in accordance with the basis of preparation set out in Notes 2.1 to the Historical Financial Information.

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

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements have been made.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong
16 October 2018

SHENZHEN CIMC TONGCHUANG SUPPLY CHAIN CO., LTD.

I HISTORICAL FINANCIAL INFORMATION OF TONGCHUANG

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

The Underlying Financial Statements, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Historical Financial Information is presented in Renminbi ("RMB"), unless otherwise stated.

(a) Statements of Comprehensive Income

	Notes	**Period from March 22, 2016 (date of incorporation) to December 31, 2016**	**Year ended December 31, 2017**	**Six months ended June 30,**	
				2017	**2018**
		RMB	*RMB*	*RMB* (unaudited)	*RMB*
Revenue	6	–	1,082,563	–	2,908,958
Cost of sales	9	–	–	–	(830,176)
Gross profit		–	1,082,563	–	2,078,782
Other income	7	–	166	–	58,650
Selling and distribution expenses	9	–	–	–	(21,997)
General and administrative expenses	9	–	(188,768)	–	(325,779)
Operating profit		–	893,961	–	1,789,656
Profit before income tax		–	893,961	–	1,789,656
Income tax expense	8	–	(223,490)	–	(447,414)
Profit for the period		–	670,471	–	1,342,242
Other comprehensive income for the period, net of tax		–	–	–	–
Total comprehensive income for the period		–	670,471	–	1,342,242

(b) Statements of Financial Position

	Notes	**As at December 31, 2016** *RMB*	**As at December 31, 2017** *RMB*	**As at June 30, 2018** *RMB*
ASSETS				
Current assets				
Trade receivables	11	–	811,661	32,130,253
Prepayments	11	–	–	4,329,132
Cash	12	–	276,266	12,592,468
Total assets		–	1,087,927	49,051,853
EQUITY				
Equity attributable to owners of Tongchuang				
Share capital	13	–	–	35,700,000
Reserves	14	–	670,471	2,012,713
Total equity		–	670,471	37,712,713
LIABILITIES				
Current liabilities				
Trade and other payables	15	–	286,173	6,506,637
Contract liabilities	16	–	–	4,385,089
Current income tax liabilities	17	–	131,283	447,414
Total liabilities		–	417,456	11,339,140
Total equity and liabilities		–	1,087,927	49,051,853

(c) **Statements of Changes in Equity**

	Note	**Share capital** *RMB*	**Surplus reserve** *RMB*	**Retained earnings** *RMB*	**Total equity** *RMB*
Balance as at March 22, 2016 (date of incorporation)		–	–	–	–
Profit and total comprehensive income for the period		–	–	–	–
Balance as at December 31, 2016		–	–	–	–
Balance as at January 1, 2017		–	–	–	–
Profit and total comprehensive income for the year		–	–	670,471	670,471
Appropriation to surplus reserve		–	67,047	(67,047)	–
Balance as at December 31, 2017		–	67,047	603,424	670,471
Unaudited: **Balance as at January 1, 2017**		–	–	–	–
Profit and total comprehensive income for the period		–	–	–	–
Balance as at June 30, 2017		–	–	–	–
Balance as at January 1, 2018		–	67,047	603,424	670,471
Profit and total comprehensive income for the period		–	–	1,342,242	1,342,242
Transaction with owners					
Capital injection	13	35,700,000	–	–	35,700,000
Balance as at June 30, 2018		35,700,000	67,047	1,945,666	37,712,713

(d) Statements of Cash Flows

	Note	Period from March 22, 2016 (date of incorporation) to December 31, 2016	Year ended December 31, 2017	Six months ended June 30, 2017	Six months ended June 30, 2018
		RMB	*RMB*	*RMB* (unaudited)	*RMB*
Cash flow from operating activities					
Profit before income tax		–	893,961	–	1,789,656
Changes in working capitals:					
Trade receivables		–	(811,661)	–	(35,647,724)
Trade and other payables		–	286,173	–	10,605,553
Cash generated from/(used in) operations		–	368,473	–	(23,252,515)
Income tax paid		–	(92,207)	–	(131,283)
Net cash generated from/(used in) operating activities		–	276,266	–	(23,383,798)
Cash flow from financing activities					
Capital injection		–	–	–	35,700,000
Net cash generated from financing activities		–	–	–	35,700,000
Net increase in cash		–	276,266	–	12,316,202
Cash at beginning of the year/period		–	–	–	276,266
Cash at end of the year/period	12	–	276,266	–	12,592,468

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 GENERAL INFORMATION

Shenzhen CIMC Tongchuang Supply Chain Co., Ltd. ("Tongchuang") was incorporated and domiciled in China on March 22, 2016. The address of its registered office is 3rd floor, CIMC R&D Center, No. 2, Gangwan Avenue, Shekou Industrial Park, Nanshan District, Shenzhen, Guangdong Province. Tongchuang's immediate holding company and ultimate holding company are Shenzhen CIMC Investment Co., Ltd. and China International Marine Containers (Group) Co., Ltd. ("CIMC"), respectively.

Tongchuang is mainly engaged in the business of: (i) Supply chain management; (ii) Sales of steel, aluminium and green recycling materials.

The Historical Financial Information are presented in Renminbi ("RMB"), unless otherwise stated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied during the Track Record Period, unless otherwise stated.

2.1 Basis of preparation

The Historical Financial Information of Tongchuang have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"), its amendments and interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The Historical Financial Information have been prepared under the historical cost convention.

The preparation of Historical Financial Information in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 3.

2.1.1 Change of accounting policies

All effective standards, amendments to standards and interpretations, which are mandatory for the financial year beginning on January 1, 2018, are consistently applied to Tongchuang for the Track Record Period, except for HKFRS 9.

HKFRS 15, 'Revenue from contracts with customers' are effective for annual periods beginning on or after January 1, 2018 and earlier application is permitted, and has been applied throughout the Track Record Period.

(a) New and revised standards adopted

Tongchuang has applied HKFRS 9 for the first time commencing January 1, 2018.

HKFRS 9 replaces the provisions of HKAS 39 Financial Instruments ("HKAS 39") that relate to the recognition, classification and measurement of financial assets and hedge accounting. HKFRS 9 also significantly amends other standards dealing with financial instruments such as HKFRS 7 Financial Instruments – Disclosures. The accounting policies were changed to comply with HKFR 9.

In accordance with the transitional provision on HKFRS 9, comparative figures have not been restated. Any adjustments to carrying amounts of financial assets or liabilities are recognised on January 1, 2018, with the difference recognised in opening accumulated losses and other reserve.

(i) Classification and measurement of financial instruments

There were no impact on the classification and measurement of financial instruments as at January 1, 2018.

(ii) Impairment of financial assets

Tongchuang revised its impairment methodology under HKFRS 9 for each of these classes of assets. Although cash measured at amortised costs is also subject to the impairment requirements of HKFRS 9, the identified impairment loss was minimal.

For trade receivables, Tongchuang applies the simplified approach to measure expected credit losses ("ECL") prescribed by HKFRS 9, which requires the use of the lifetime expected loss provision for all trade receivables. The impact is not material applying the ECL model for those trade receivables as of January 1, 2018.

(b) New and revised standards, amendments and interpretations to existing standards that have been issued but are not effective for the Track Record Period and have not been early adopted

The following new standards and amendments to standards have been issued but are not effective for the period and have not been early adopted by Tongchuang:

	Effective for accounting periods beginning on or after
HKFRS 16 "Leases"	January 1, 2019
HKFRS 17 "Insurance Contracts"	January 1, 2021
HKFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019
Amendments to HKFRS 9 "Prepayment Feature with Negative Compensation"	January 1, 2019
Amendments to HKAS 28 "Long-term Interests in Associates and Joint Ventures"	January 1, 2019
Amendments to HKFRS "Annual Improvements to HKFRS Standards 2015–2017 Cycle"	January 1, 2019
Amendments to HKAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019
Amendments to HKFRS 10 and HKAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined

At this stage, Tongchuang assessed that the above new and amended standards have no material impact to its results of operations and financial positions. Tongchuang will make more detailed assessments of the impact over the next twelve months.

2.2 Revenue recognition

Tongchuang principally derives revenue from steel and aluminium products trading and provision of supply chain management and agency services for related parties and third parties. Tongchuang recognises revenue when the specific criteria have been met for each of the activities, as described below.

(a) Steel and aluminium products trading

Tongchuang is acting as an agent since the control over the specified goods remained with the suppliers before they are transferred to the customers. Revenue related to commission fees is recognized when the underlying transactions are completed, representing the point in time at which the right to commission fee becomes unconditional.

(b) Rendering of services

Tongchuang provides supply chain management and agency services for related parties and third parties, and recognises commission income when the related transactions are completed.

2.3 Financial assets

2.3.1 Accounting policies applied from January 1, 2018

(a) Classification

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

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

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

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether Tongchuang has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVOCI").

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

(b) Recognition and measurement

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

Subsequent measurement of debt instruments depends on Tongchuang's business model for managing the asset and the cash flow characteristics of the asset. There is one measurement category into which Tongchuang classifies its debt instruments:

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

(c) Expected credit loss

Tongchuang applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

The expected loss rates are based on the payment profiles of sales over a period before June 30, 2018 or January 1, 2018 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. Tongchuang has identified the GDP and the unemployment rate of the country in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

On that basis, the loss allowance as at June 30, 2018 and January 1, 2018 (on adoption of HKFRS 9) was determined as minimal for trade receivables.

2.3.2 Accounting policies applied until December 31, 2017

(a) Classification

Tongchuang classifies its financial assets in the following categories: loans and receivables. The classification depends on the nature of the asset and the purpose for which the assets were acquired.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. Loans and receivables are presented as "Trade receivables" and "Cash" on the statement of financial position.

(b) Recognition and measurement

Regular way purchases and sales of financial assets are recognised on trade date – the date on which Tongchuang commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and Tongchuang has transferred substantially all risks and rewards of ownership. On disposal of a financial asset, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount previously recognised in other comprehensive income relating to that asset is reclassified to profit or loss.

(c) Initial measurement

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value. Transaction costs for financial assets at fair value through profit or loss are recognised immediately as expenses.

(d) Subsequent measurement

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

(e) Impairment

Tongchuang assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists.

Loans and receivables

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit or loss.

The impairment allowance is reduced through profit or loss in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in prior periods.

2.4 Trade and other payables

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

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

2.5 Current income tax

The tax expense for the period comprises current tax. Tax is recognised in the profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at each statement of financial position date in the countries where Tongchuang operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

2.6 Employee compensation

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

(a) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which Tongchuang pays fixed contributions into separate entities such as the Central Provident Fund on a mandatory, contractual or voluntary basis. Tongchuang has no further payment obligations once the contributions have been paid.

(b) Termination benefits

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

2.7 Segment reporting

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

2.8 Cash

For the purpose of presentation in the statement of cash flows, cash includes cash on hand, deposits with financial institutions with less than three months' maturity from the date of acquisition.

2.9 Share capital

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

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Principal versus agent consideration for sales of steel and aluminium products

Determining whether Tongchuang is acting as a principal or as an agent in the sales of steel and aluminium products requires judgement and consideration of all relevant facts and circumstances. In evaluation of Tongchuang acting as a principal or an agent, Tongchuang considers whether it obtains control of the goods and if necessary, also considers individually or in combination, whether Tongchuang is primarily responsible for fulfilling the contracts and has discretion in supplier selection, is subject to inventory risk, has discretion in establishing prices for the goods. Significant judgement is required. Having considered the relevant facts and circumstances, management considers that Tongchuang does not obtain control of goods sold before the goods are transferred to the customers.

4 FINANCIAL RISK MANAGEMENT

Tongchuang's activities expose it to a variety of financial risks such as market risk, credit risk and liquidity risk. Tongchuang's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on Tongchuang's financial performance.

4.1 Market risk

(a) Foreign currency risk

Tongchuang's transactions are all in China and all its assets and liabilities are denominated in RMB, so there is no currency risk.

(b) Interest rate risk

Tongchuang has no bank loans or other third parties' loans, so there is no significant interest rate risk.

4.2 Credit risk

Tongchuang's credit risk is primarily attributable to its cash at bank and trade receivables. The carrying amount of each class of the above financial assets represents the Tongchuang's maximum exposure to credit risk in relation to the corresponding class of financial assets.

(a) Credit risk of cash

To manage this risk arising from cash placed with banks, cash are mainly placed with state-owned financial institutions in the PRC and CIMC Finance Company Ltd. ("CIMC Finance"). There has been no recent history of default in relation to these financial institutions. The expected credit loss is close to zero.

(b) Credit risk of trade receivables

Trade receivables as at December 31, 2017 were due from related parties. Tongchuang adopts the policy of dealing only with customers of appropriate credit standing and history. The management continuously monitored the payment pattern and credit exposure.

Trade receivables as at June 30, 2018 were due from third parties and related parties. The expected loss rates are based on the payment profiles of sales over a period before June 30, 2018 or January 1, 2018 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. Tongchuang has identified the GDP and the unemployment rate of the country in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors. The credit risk as at June 30, 2018 and January 1, 2018 (on adoption of HKFRS 9) was minimal for trade receivables.

4.3 Liquidity risk

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

All financial liabilities are carried at amounts not materially different from their contractual undiscounted cash flow as all the financial liabilities are with maturities within 1 year at each statement of financial position date.

4.4 Capital risk management

Tongchuang's objectives when managing capital are to safeguard Tongchuang's ability to continue as a going concern in order to provide returns for shareholders. Management monitors capital through regular reviews to ensure adequate capital is maintained.

Tongchuang monitors capital on basis of the asset-liability ratio. This ratio is calculated as total liabilities divided by total assets. As at December 31, 2017 and June 30, 2018, the asset-liability ratio of Tongchuang is 38% and 23%, respectively. In the opinion of the directors, Tongchuang's capital risk is low.

5 SEGMENT INFORMATION

Operating segments are reported in a manner consistent with the internal reporting provided to the board of directors whose members are responsible for allocating resources and assessing performance of the operating segments. All business activities operate under similar business models and results of activities are not material to be disclosed as a separate reportable operating segment. The board of directors reviews and assesses performance on a combined basis and management concluded that there is only one reportable operating segment and all the assets are located in mainland China.

6 REVENUE

Revenue of Tongchuang for the Track Record Period are as follow:

	Year ended December 31,	Six months ended June 30,	
	2017	**2017**	**2018**
	RMB	*RMB*	*RMB*
		(unaudited)	
Steel and aluminium products trading	–	–	848,342
Supply chain management services	1,082,563	–	2,060,616
	1,082,563	–	2,908,958

	Year ended December 31,	Six months ended June 30,	
	2017	**2017**	**2018**
	RMB	*RMB*	*RMB*
		(unaudited)	
Over time	–	–	2,006,441
At a point in time	1,082,563	–	902,517
	1,082,563	–	2,908,958

7 OTHER INCOME

	Year ended December 31, 2017	Six months ended June 30, 2017	2018
	RMB	*RMB* (unaudited)	*RMB*
Interest income	166	–	58,650

8 INCOME TAX EXPENSE

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

	Year ended December 31, 2017	Six months ended June 30, 2017	2018
	RMB	*RMB* (unaudited)	*RMB*
Current income tax			
– Current tax on profits for the period	223,490	–	447,414

The corporate income tax ("CIT") is calculated based on the profit of Tongchuang in accordance with the PRC tax laws and regulations. The standard PRC CIT rate is 25% during the Track Record Period.

9 EXPENSES BY NATURE

	Year ended December 31, 2017	Six months ended June 30, 2017	2018
	RMB	*RMB* (unaudited)	*RMB*
Bank charges	910	–	754,236
Legal fee	–	–	116,505
Financial consulting fee	154,088	–	110,063
Employee benefit expenses	–	–	77,676
Tax and surcharges	33,402	–	81,919
Marketing expenses	–	–	21,997
Other	368	–	15,556
Total cost of sales, selling and distribution expenses and general and administrative expenses	188,768	–	1,177,952

10 EMPLOYEE BENEFIT EXPENSES

	Year ended December 31, 2017	Six months ended June 30, 2017	2018
	RMB	*RMB* (unaudited)	*RMB*
Salaries, wages and welfare	–	–	57,190
Pension, housing fund, medical insurance and other social insurances	–	–	20,486
	–	–	77,676

Tongchuang has no executive compensation during Track Record Period.

11 TRADE RECEIVABLES AND PREPAYMENTS

	As at December 31, 2017 *RMB*	As at June 30, 2018 *RMB*
Trade receivables due from third parties	–	29,354,881
Trade receivables due from related parties *(Note 19)*	811,661	2,775,372
Total trade receivables	811,661	32,130,253
Prepayments	–	4,329,132

The credit period granted to customer is ranging from 30 to 90 days. The aging analysis of trade receivables based on invoice date, as at December 31, 2017 and June 30, 2018 was as follows:

	As at December 31, 2017 *RMB*	As at June 30, 2018 *RMB*
Trade receivables		
– Within 90 days	811,661	32,130,253

RMB29,014,234 of the trade receivables due from third parties was secured by the equipment of the customer amounting to RMB121,473,570 and were fully settled by the end of August 2018.

The prepayments presents deposits to the suppliers in related to the purchase orders of steel and aluminium products placed for its customers and within 90 days.

The carrying amounts of trade and other receivables and prepayments are denominated in RMB.

12 CASH

	As at December 31, 2017 *RMB*	As at June 30, 2018 *RMB*
Cash at bank	276,266	4,505,041
Cash at CIMC Finance	–	8,087,427
	276,266	12,592,468

Cash at CIMC Finance refer to amounts placed with CIMC Finance. CIMC Finance is a subsidiary of the ultimate holding company of Tongchuang.

The carrying amounts of the cash are denominated in RMB.

13 SHARE CAPITAL

	Par value per share *RMB*	Number of shares	Share capital *RMB*
As at March 22, 2016 (date of incorporation), December 31, 2016 and 2017	1	–	–
Registered capital paid in the period	1	35,700,000	35,700,000
As at June 30, 2018	1	35,700,000	35,700,000

The registered capital actually paid by Shenzhen CIMC investment Co., Ltd. in March 2018.

14 RESERVES

	Surplus reserve	Retained earnings	Total
	RMB	*RMB*	*RMB*
As at March 22, 2016 (date of incorporation), December 31, 2016 and January 1, 2017	–	–	–
Profit for the year	–	670,471	670,471
Surplus reserve	67,047	(67,047)	–
As at December 31, 2017	67,047	603,424	670,471
Profit for the period	–	1,342,242	1,342,242
As at June 30, 2018	67,047	1,945,666	2,012,713

15 TRADE AND OTHER PAYABLES

	As at December 31, 2017	As at June 30, 2018
	RMB	*RMB*
Trade payables to third parties	–	5,656,605
Amounts due to related parties *(Note 19)*	154,088	752,500
Other tax payable	132,085	97,516
Salary and bonus payables	–	16
	286,173	6,506,637

Trade payables to third parties is the purchase amounts due to the suppliers for purchase on behalf of customers.

The amounts due to related parties as at December 31, 2017 is financial consulting fees payable to CIMC Finance and the amounts as at June 30, 2018 is bank charges for issuing letter of guarantee for CIMC and its fellow subsidiaries.

As at December 31, 2017 and June 30, 2018, all trade and other payables of Tongchuang were non-interest bearing, and their fair value approximate to their carrying amounts due to their short maturities.

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

	As at December 31, 2017	As at June 30, 2018
	RMB	*RMB*
Within 60 days	–	5,656,605

The carrying amounts of trade and other payables are denominated in RMB.

16 CONTRACT LIABILITIES

	As at December 31, 2017	As at June 30, 2018
	RMB	*RMB*
Advance from customers	–	4,385,089

As at June 30, 2018 the contract liabilities are advance from third party customers based on the sales contracts. Revenue related to commission fees will be recognized when the underlying transaction is completed, representing the point in time at which the right to commission fee becomes unconditional.

17 CURRENT INCOME TAX LIABILITIES

	As at December 31, 2017	As at June 30, 2018
	RMB	*RMB*
Current income tax liabilities	131,283	447,414

18 COMMITMENT

There are no commitment as at December 31, 2016 and 2017 and June 30, 2018.

19 RELATED-PARTY TRANSACTIONS

Tongchuang's immediate holding company is Shenzhen CIMC Investment Co., Ltd. The ultimate holding company is China International Marine Containers (Group) Ltd. incorporated in the People's Republic of China.

In addition to those disclosed elsewhere in the Historical Financial Information, the following is a summary of the significant transactions carried out between Tongchuang and its related parties in the ordinary course of business during the Track Record Period and balances arising from related-party transactions as at December 31, 2017 and June 30, 2018.

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

Name of entities	Relationship with Tongchuang
CIMC Finance Company Ltd.	Fellow subsidiary
Shanghai CIMC Baowell Industries Co., Ltd.	Fellow subsidiary
CIMC –SHAC (Xi'An) Special Vehicle Co., Ltd.	Fellow subsidiary
Xinhui CIMC Composite Material Manufacture Co., Ltd.	Fellow subsidiary
Liangshan Dongyue Vehicle Co., Ltd.	Fellow subsidiary
Dongguan CIMC Special Vehicle Co., Ltd.	Fellow subsidiary
Shenzhen CIMC Special Car Co., Ltd.	Fellow subsidiary
Wuhu CIMC RuiJiang Automobile Co., Ltd.	Fellow subsidiary
Luoyang CIMC Lingyu Automobile Co., Ltd.	Fellow subsidiary
Qingdao Refrigeration Transport Equipment Co., Ltd.	Fellow subsidiary
Nantong CIMC Tank Equipment Co., Ltd.	Fellow subsidiary
Nantong CIMC Large-sized Tank Co., Ltd.	Fellow subsidiary
CIMC Vehicle (Shandong) Co., Ltd.	Fellow subsidiary
CIMC Multimodal Transport Development Co., Ltd.	Fellow subsidiary
Shanghai CIMC Yangshan Logistics Equipments Co., Ltd.	Fellow subsidiary
Shenzhen South CIMC Logistics Co., Ltd.	Fellow subsidiary

(b) Transactions with related parties

	Year ended December 31, 2017	Six months ended June 30, 2017	2018
	RMB	*RMB* (unaudited)	*RMB*
(i) Sales of services to			
– Fellow subsidiaries	1,082,563	–	2,064,166
(ii) Purchase of services			
– Fellow subsidiaries	154,088	–	979,068

Outstanding balances at each statement of financial position date, arising from sale/purchase of goods and services, and terms are disclosed in Note 9 and 13 respectively.

The related-party transactions as set out under (i) to (ii) above were carried out on terms mutually agreed between the parties. In the opinion of the directors of Tongchuang, these transactions are in the ordinary course of business of Tongchuang and in accordance with the term of the underlying agreements.

Minimal expense including rental, utilities and labor cost of Tongchuang was paid by the ultimate holding company for the Track Record Period.

(c) Balances with related parties

	As at December 31, 2017	As at June 30, 2018
	RMB	*RMB*
Amounts due from related parties		
– Fellow subsidiaries	811,661	2,775,372

	As at December 31, 2017	As at June 30, 2018
	RMB	*RMB*
Amounts due to related parties		
– Fellow subsidiaries		
Consulting fee	154,088	752,500

(d) Key management personnel compensation

All compensation for key management personnel including directors of Tongchuang was paid by the fellow subsidiaries of CIMC because of part-time employment.

20 CONTINGENT LIABILITIES

During the Track Record Period, there were no significant contingent liabilities assumed by Tongchuang.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by Tongchuang in respect of any period subsequent to June 30, 2018 and up to the date of this report. Save as disclosed in this report, no dividend or distribution has been declared or made by Tongchuang in respect of any period subsequent to June 30, 2018.

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is an illustrative and unaudited pro forma statement of assets and liabilities of the Enlarged Group (the "Unaudited Pro Forma Financial Information"), which has been prepared on the basis of the notes set out below and in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the effects of the proposed (i) capital increase of CIMC Finance Company Ltd. (the "CIMC Finance Capital Increase"); (ii) acquisition of 10% of the equity interest in Shenzhen CIMC Huijie Supply Chain Co., Ltd. (the "Huijie Equity Transfer"); and (iii) acquisition of 5% of the equity interest in Shenzhen CIMC Tongchuang Supply Chain Co., Ltd. (the "Tongchuang Equity Transfer") (collectively, the "Transactions") on the Group, assuming that the Transactions had been completed on June 30, 2018.

The Unaudited Pro Forma Financial Information has been prepared using accounting policies consistent with that of the Group, as set out in the published interim report of the Company for the six months ended June 30, 2018.

The Unaudited Pro Forma Financial Information has been prepared by the Directors for illustrative purpose only and, because of its hypothetical nature, it may not give a true picture of the financial position of the Enlarged Group had the Transactions been completed as at June 30, 2018 or at any future date.

The Unaudited Pro Forma Financial Information should be read in conjunction with other financial information included elsewhere in this circular.

I. Unaudited Pro Forma Statement of Assets and Liabilities of the Enlarged Group

	The Group as at June 30, 2018		Pro forma Adjustments			The Enlarged Group as at June 30, 2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1	*Note 2, 5*	*Note 3, 5*	*Note 4, 5*	*Note 6*	
Non-current assets						
Prepaid land lease payments	114,644					114,644
Property, plant and equipment	740,316					740,316
Investment properties	244,126					244,126
Intangible assets	341,032					341,032
Investments in associates	572,736	154,539	10,000			737,275
Financial assets at fair value through profit or loss	–			10,000		10,000
Deferred income tax assets	24,132					24,132
Other non-current assets	5,981					5,981
	2,042,967					2,217,506
Current assets						
Inventories	922,326					922,326
Contract asset	206,935					206,935
Trade and bills receivables	1,328,993					1,328,993
Prepayments, deposits and other receivables	241,806					241,806
Other financial assets	290					290
Amount due from related parties	1,000					1,000
Pledged bank deposits	10,289					10,289
Bank and cash balances	379,402	(149,995)	(10,000)	(10,000)	(2,101)	207,306
	3,091,041					2,918,945
Non-current liabilities						
Trade and other payables	20,134					20,134
Convertible bonds	80,767					80,767
Provision	2,294					2,294
Deferred income tax liabilities	11,847					11,847
Deferred income	65,728					65,728
	180,770					180,770

	The Group as at June 30, 2018		Pro forma Adjustments			The Enlarged Group as at June 30, 2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1	*Note 2, 5*	*Note 3, 5*	*Note 4, 5*	*Note 6*	
Current liabilities						
Trade and other payables	1,165,195					1,165,195
Contract liability	620,838					620,838
Borrowings	172,116					172,116
Provision	87,090					87,090
Interest payable on convertible bonds	283					283
Derivative financial liabilities	327					327
Current income tax liabilities	12,637					12,637
	2,058,486					2,058,486

II. Notes to the Unaudited Pro Forma Statement of Assets and Liabilities of the Enlarged Group

1. The balances have been extracted from the unaudited consolidated statement of financial position of the Group as at June 30, 2018 as set out in the published interim report of the Company for the period ended June 30, 2018.

2. It represents the consideration of RMB149,995,000 for the CIMC Finance Capital Increase and the negative goodwill of RMB4,544,000. Upon completion of the CIMC Finance Capital Increase, the Group will hold 10.54% equity interest in CIMC Finance, which will become an associate of the Group.

	RMB'000
Fair value of identifiable assets and liabilities of CIMC Finance as at June 30, 2018 *(note a)*	816,748
Capital injection to CIMC Finance by parties to the CIMC Finance Capital Increase Agreement	649,464
	1,466,212
Share attributable to the Group (10.54%)	154,539
Consideration	149,995
Negative goodwill arising on the transaction	4,544

Note a. The fair value of identifiable assets and liabilities of CIMC Finance as at June 30, 2018 was evaluated by Guozhonglian Assets Evaluation Land Real Estate Appraisal Co., Ltd.

3. It represents the consideration for the acquisition of 10% equity interest in Huijie of RMB10,000,000. Upon completion of the Huijie Equity Transfer, Huijie will become an associate of the Group.

4. It represents the consideration for the acquisition of 5% equity interest in Tongchuang of RMB10,000,000. Upon completion of the Tongchuang Equity Transfer, the Group will recognize the investment in Tongchuang as financial assets at fair value through profit or loss.

5. For the purpose of preparing the Unaudited Pro Forma Financial Information of the Enlarged Group, it is assumed that the consideration will be paid by cash.

6. The adjustment represents the estimated professional fees and transaction costs of approximately RMB2,101,000 payable by the Group in connection with the Transactions, which are assumed to be paid upon completion of the Transactions.

7. No other adjustment has been made to reflect any trading results or other transactions of the Group entered or proposed to enter into subsequent to June 30, 2018.

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

pwc 羅兵咸永道

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

To the Directors of CIMC-TianDa Holdings Company Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of CIMC-TianDa Holdings Company Limited (the "Company") and its subsidiaries (collectively the "Group") and CIMC Finance Company Ltd., Shenzhen CIMC Huijie Supply Chain Co., Ltd. and Shenzhen CIMC Tongchuang Supply Chain Co., Ltd. (collectively the "Enlarged Group") by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of assets and liabilities as at June 30, 2018 and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages III-1 to III-3 of the Company's circular dated October 16, 2018, in connection with the proposed (i) capital increase of CIMC Finance Company Ltd., (ii) acquisition of 10% of the equity interest in Shenzhen CIMC Huijie Supply Chain Co., Ltd.; and (iii) acquisition of 5% of the equity interest in Shenzhen CIMC Tongchuang Supply Chain Co., Ltd. (collectively, the "Transactions") by the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described on pages III-1 to III-3.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the Transactions on the Group's assets and liabilities as at June 30, 2018 as if the Transactions had taken place at June 30, 2018. As part of this process, information about the Group's financial position has been extracted by the directors from the Group's financial information for the period ended June 30, 2018, on which no audit or review report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

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

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Our Independence and Quality Control

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

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

Reporting Accountant's Responsibilities

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

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

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

The purpose of unaudited pro forma financial information included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Transactions at June 30, 2018 would have been as presented.

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

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

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

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

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

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

Opinion

In our opinion:

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

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

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

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong
October 16, 2018

I. MANAGEMENT DISCUSSION AND ANALYSIS OF CIMC FINANCE

Set out below is the management discussion and analysis of CIMC Finance for each of the three years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2018. The following financial information is based on the Accountant's Report of the CIMC Finance as set out in Appendix IIA to this circular.

1. Overview of CIMC Finance

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

2. Financial Review

Operating income

Operating income of CIMC Finance comprises net interest income, net fee and commission and other gain/(loss) after taking into account impairment losses and credit impairment losses.

Operating income of CIMC Finance increased from approximately RMB61,013,000 for the six months ended 30 June 2017 to approximately RMB102,251,000 for the six months ended 30 June 2018 primarily due to an offsetting effect of (i) increases in net interest income, net fee and commission income and other gain/(loss) driven by a larger scale of credit business which was in turn attributable to the growth of CIMC Finance's business and (ii) credit impairment losses on loans and advances to customers.

Operating income of CIMC Finance increased from approximately RMB127,924,000 for the year ended 31 December 2016 to approximately RMB149,167,000 for the year ended 31 December 2017 primarily due to an increase in net interest income caused by a higher asset utilization level and impairment losses of RMB10,000,000 in 2016, which was partly offset by decreases in net fee and commission income and other gain/(loss).

Operating income of CIMC Finance decreased from approximately RMB130,328,000 for the year ended 31 December 2015 to RMB127,924,000 for the year ended 31 December 2016 primarily due to a decrease in net interest income led by higher prevailing market interest rates and hence an increase in deposit rates offered to customers and a decrease in net fee and commission income, which was partly offset by an increase in other gain/(loss).

Net interest income

Net interest income of CIMC Finance increased by approximately 61.3% from approximately RMB60,904,000 for the six months ended 30 June 2017 to approximately RMB98,225,000 for the six months ended 30 June 2018, which was attributable to an approximately 35.8% increase in interest income coupled with an approximately 12.0% increase in interest expenses for the relevant period. The increase in interest income for the relevant period was mainly attributable to increases in interest income on loans and advances to customers, investment securities, deposits with banks and other financial institutions, financial assets held under resale agreements, balances with central banks and placements with and loans to bank and other financial institutions, which was partly offset by a decrease in interest income on discounted bills. The increase in interest expenses for the relevant period was mainly due to an increase in interest expenses on amounts due to customers driven by the growth in savings deposits placed by customers, which was partly offset by a decrease in interest expenses on note financing.

Net interest income of CIMC Finance increased by approximately 25.7% from approximately RMB121,212,000 for the year ended 31 December 2016 to approximately RMB152,348,000 for the year ended 31 December 2017, which was attributable to an approximately 20.5% increase in interest income coupled with an approximately 16.1% increase in interest expenses during the year. The increase in interest income during the year was mainly attributable to increases in interest income on loans and advances to customers, deposits with banks and other financial institutions, financial assets held under resale agreements, balances with central banks and placements with and loans to bank and other financial institutions, which was partly offset by a decrease in interest income on discounted bills and factoring. The increase in interest expenses during the year was mainly due to an increase in interest expenses on amounts due to customers driven by the growth in savings deposits placed by customers, which was partly offset by decreases in interest expenses on placements from banks and other financial institutions, note financing and guarantee deposit.

Net interest income of CIMC Finance decreased by approximately 2.8% from approximately RMB124,762,000 for the year ended 31 December 2015 to approximately RMB121,212,000 for the year ended 31 December 2016, which was attributable to an approximately 10.6% increase in interest income coupled with an approximately 25.1% increase in interest expenses during the year. The increase in interest income during the year was mainly attributable to increases in interest income on loans and advances to customers, deposits with banks and other financial institutions, investment securities, financial assets held under resale agreements, which was partly offset by decreases in interest income on discounted bills, factoring and balances with central banks. The increase in interest expenses during the year was mainly due to increases in interest expenses on amounts due to customers, placements from banks and other financial institutions and guarantee deposit received as a result of an increase in savings deposits rates offered to customers, which was partly offset by a decrease in interest expenses on note financing.

Net fee and commission

Net fee and commission income of CIMC Finance increased by approximately 16.3% from approximately RMB2,916,000 for the six months ended 30 June 2017 to approximately RMB3,391,000 for the six months ended 30 June 2018, which was attributable to an approximately 31.7% increase in fee and commission income coupled with an approximately 116.7% increase in fee and commission expenses for the relevant period. The increase in fee and commission income for the relevant period was mainly attributable to increases in income from consultancy and advisory services, handling fees and other services. The increase in fee and commission expenses for the relevant period was mainly due to an increase in handling charges incurred on telegraphic transfer led by an increase in business volume of CIMC Finance.

Net fee and commission income of CIMC Finance decreased by approximately 49.9% from approximately RMB8,498,000 for the year ended 31 December 2016 to approximately RMB4,259,000 for the year ended 31 December 2017, which was attributable to an approximately 13.2% decrease in fee and commission income coupled with an approximately 10.4 times increase in fee and commission expenses during the year. The decrease in fee and commission income during the year was mainly attributable to decreases in incomes from consultancy and advisory services and handling fees, which was partly offset by increases in incomes from entrusted loan services and other services. The increase in fee and commission expenses during the year was mainly due to increases in handling charges incurred on telegraphic transfer and commission fees caused by an increase in business promotion activities.

Net fee and commission income of CIMC Finance decreased by approximately 10.5% from approximately RMB9,497,000 for the year ended 31 December 2015 to approximately RMB8,498,000 for the year ended 31 December 2016, which was attributable to an approximately 11.8% decrease in fee and commission income coupled with an approximately 37.3% decrease in fee and commission expenses during the year. The decrease in fee and commission income during the year was mainly attributable to decreases in income from consultancy and advisory services and entrusted loan services, which was partly offset by increases in income from handling fees. The decrease in fee and commission expenses during the year was mainly due to decreases in handling charges incurred on telegraphic transfers and other fee and commission fees.

Other gain/(loss)

During the three years ended 31 December 2017 and the six months ended 30 June 2018, CIMC Finance generated other gains/(losses) from other business activities which include, amongst others, (i) foreign exchange settlement and the conversion of assets denominated in foreign currencies held by CIMC Finance into RMB; (ii) disposal of property and equipment; and (iii) receiving government subsidy for an office lease obtained by CIMC Finance.

Other gain was approximately RMB2,046,000 for the six months ended 30 June 2018 as compared to other loss of approximately RMB2,807,000 for the six months ended 30 June 2017, which was attributable to a net gain on foreign exchange of approximately RMB1,967,000 for the six months ended 30 June 2018 as compared to a net loss on foreign exchange of approximately RMB2,937,000 for the same period in 2017. The increase in net gain on foreign exchange was mainly due to changes in the exchange rate of RMB in translating assets denominated in foreign currencies held by CIMC Finance into RMB.

Other loss was approximately RMB7,440,000 for the year ended 31 December 2017 as compared to other gain of approximately RMB8,214,000 for the year ended 31 December 2016, which was attributable to a net loss on foreign exchange of approximately RMB7,610,000 in 2017 as compared to a net gain on foreign exchange of approximately RMB7,655,000 in 2016 coupled with an approximately 69.9% decrease in government grant during the year. The decrease in net gain on foreign exchange was mainly attributable to the changes in the exchange rate of RMB in translating assets denominated in foreign currencies held by CIMC Finance into RMB. The decrease in government grant was mainly attributable to an one-off government subsidy for an office lease obtained by CIMC Finance in 2016, but no such government subsidy was obtained in 2017.

Other gain increased by approximately 35.3% from approximately RMB6,069,000 for the year ended 31 December 2015 to approximately RMB8,214,000 for the year ended 31 December 2016, which was attributable to an approximately 32.7% increase in net gain on foreign exchange coupled with an 179% increase in government grant during the year. The increase in net gain on foreign exchange was mainly attributable to the changes in the exchange rate of RMB in translating assets denominated in foreign currencies held CIMC Finance into RMB. The increase in government grant was mainly attributable to an one-off government subsidy for an office lease obtained by CIMC Finance in 2016.

Impairment losses

An impairment loss of RMB10,000,000 for each of the two years ended 31 December 2015 and 2016 was made on loans and advances to customers in accordance with the credit policy of CIMC Finance.

Operating expenses

Operating expenses comprise mainly tax and surcharges, staff costs, depreciation and amortisation, rental and other operating expenses, of which staff costs accounted for approximately 57.4% of the total operating expenses of CIMC Finance for the year ended 31 December 2017 (2016: 66.0%; 2015: 52.4%) and approximately 65.9% and 63.8% for the six months ended 30 June 2017 and 2018 respectively.

Operating expenses decreased by approximately 16.4% from approximately RMB19,932,000 for the six months ended 30 June 2017 to approximately RMB16,664,000 for the six months ended 30 June 2018 primarily due to a reduction in staff costs and other operating expenses.

Operating expenses decreased by approximately 27.4% from approximately RMB52,796,000 for the year ended 31 December 2016 to approximately RMB38,333,000 for the year ended 31 December 2017 primarily due to a reduction in staff costs and tax and surcharges in light of an improvement in management efficiency and cost savings from the replacement of business tax with value-added tax under the tax reform in the PRC, respectively.

Operating expenses decreased by approximately 18.0% from approximately RMB64,396,000 for the year ended 31 December 2015 to approximately RMB52,796,000 for the year ended 31 December 2016 mainly due to a reduction in tax and surcharges resulted from cost savings from the replacement of business tax with value-added tax under the tax reform in the PRC.

Staff costs

Total staff costs decreased by approximately 19.0% from approximately RMB13,130,000 for the six months ended 30 June 2017 to approximately RMB10,636,000 for the six months ended 30 June 2018 primarily due to the fact that the payment of bonuses to the employees of CIMC Finance in 2018 was deferred pending completion of annual staff performance review for the year ended 31 December 2017.

Total staff costs decreased by approximately 36.8% from approximately RMB34,836,000 for the year ended 31 December 2016 to approximately RMB22,009,000 for the year ended 31 December 2017 due to a reduction in the number of employees as CIMC Finance redefined the roles and responsibilities of some of the employees.

Total staff costs increased by approximately 3.3% from approximately RMB33,737,000 for the year ended 31 December 2015 to approximately RMB34,836,000 for the year ended 31 December 2016 due to an increase in salaries, bonuses, allowances and subsidies associated with slight adjustments in employee compensation levels.

Tax and surcharges

Tax and surcharges increased by approximately 41.9% from approximately RMB866,000 for the six months ended 30 June 2017 to approximately RMB1,229,000 for the six months ended 2018 due to an increase of approximately RMB333,000 in stamp duty levied on the value of business contracts caused by the business expansion of CIMC Finance.

Tax and surcharges decreased by approximately 52.7% from approximately RMB3,882,000 for the year ended 31 December 2016 to RMB1,838,000 for the year ended 2017 as no business tax arose during the year mainly due to cost savings from the replacement of business tax with value-added tax under the tax reform in the PRC.

Tax and surcharges decreased by approximately 64.7% from approximately RMB10,998,000 for the year ended 31 December 2015 to approximately RMB3,882,000 for the year ended 31 December 2016, which was mainly attributable to cost savings from the replacement of business tax with value-added tax under the tax reform in the PRC.

Profit for the year/period

Profit for the six months ended 30 June 2018 increased by approximately 108.3% to approximately RMB64,190,000 from approximately RMB30,811,000 for the six months ended 30 June 2017. Such increase was mainly due to increases in net interest income, net fee and commission income and other gain/(loss) and a decrease in operating expenses for the six months ended 30 June 2018, for the reasons explained above. Income tax expense increased by approximately 108.3% which was in line with the increase in profit for the period.

Profit for the year ended 31 December 2017 increased by approximately 47.7% to approximately RMB82,940,000 from approximately RMB56,162,000 for the year ended 31 December 2016, which was mainly due to (i) an increase in net interest income and a decrease in operating expenses; and (ii) impairment losses of RMB10,000,000 in 2016, which was partly offset by a decrease in net fee commission income and an increase in other loss in 2017, for the reasons explained above. Income tax expense increased by approximately 47.1% which was in line with the increase in profit for the year.

Net profit for the year ended 31 December 2016 increased by approximately 14.1% to approximately RMB56,162,000 from approximately RMB49,243,000 for the year ended 31 December 2015, which was mainly due to an increase in other gain and a decrease in operating expenses, which was partly offset by decreases in net interest income and net fee and commission income in 2016, for the reasons explained above. Income tax expense increased by approximately 13.6% which was in line with the increase in profit for the year.

3. Liquidity, Financial Resources and Capital Structure

CIMC Finance has adopted a prudent treasury policy and maintained a healthy liquidity position throughout the years. CIMC Finance finances its operating and capital expenditures mainly by internal resources generated from operating activities. CIMC Finance has sufficient resources to meet its capital expenditure and working capital requirements. To manage liquidity risk, CIMC Finance closely monitors its liquidity position to ensure that the liquidity structure of its assets, liabilities and other commitments can meet its funding requirements from time to time. CIMC Finance's financial resources are at a healthy position and are sufficient to support its business operations.

Total liabilities

As at 30 June 2018, CIMC Finance had total liabilities as of approximately RMB6,598,502,000. As at 31 December 2017, CIMC Finance had total liabilities of approximately RMB7,384,783,000 (2016: RMB7,088,376,000, 2015: RMB5,205,775,000). The increase in total liabilities as at 31 December 2016 as compared to 31 December 2015 was mainly caused by an increase in liabilities due to customers by approximately 49.5% resulted from an increase in deposits placed by a larger number of customers and the business growth of CIMC Finance. The increase in total liabilities as at 31 December 2017 as compared to 31 December 2016 was mainly attributable to an increase in liabilities due to customers by approximately 5.7% led by an increase in deposits placed by a larger number of customers. The decrease in total liabilities as at 30 June 2018 as compared to 31 December 2017 was mainly attributable to a decrease in liabilities due to customers by approximately 10.8% resulted from withdrawals of deposits by customers as at the period end date for financial management purposes.

Gearing ratio

The gearing ratio (being total liabilities over the total equity) of CIMC Finance was approximately 8.09 times as at 30 June 2018 and approximately 9.15 times as at 31 December 2017 (2016: 9.62 times, 2015: 7.39 times). The changes in gearing ratio were mainly due to changes in total liabilities resulted from changes in the size of savings deposits placed by customers.

Total assets

As at 31 December 2015, 2016 and 2017 and 30 June 2018, CIMC Finance had total assets of approximately RMB5,909,938,000, RMB7,825,431,000, RMB8,192,303,000 and RMB7,414,372,000 respectively. The decrease in total assets from 31 December 2017 to 30 June 2018 was mainly due to a decrease of approximately RMB588,884,000 in deposits with banks and other financial institutions from approximately RMB1,666,836,000 as at 31 December 2017 to approximately RMB1,077,952,000 as at 30 June 2018, which was mainly due to a decrease in deposits placed by customers with CIMC Finance as a result of withdrawals of deposits by customers as at the period end date for financial management purposes.

Cash and balances with central banks

Cash and balances with central banks increased from approximately RMB487,824,000 as at 31 December 2017 (2016: RMB504,795,000, 2015: RMB316,183,000) to approximately RMB516,831,000 as at 30 June 2018 primarily due to an increase in mandatory reserve deposits with central banks of approximately RMB29,998,000 during the six months ended 30 June 2018.

CIMC Finance places mandatory reserve deposits with the People's Bank of China. These include RMB reserve deposits and foreign currency reserve deposits. These mandatory reserve deposits are not available for CIMC Finance's daily operations.

Deposits with banks and other financial institutions

Deposits with banks and other financial institutions decreased from approximately RMB1,666,836,000 as at 31 December 2017 (2016: RMB1,372,760,000, 2015: RMB769,598,000) to approximately RMB1,077,952,000 as at 30 June 2018 mainly due to the reasons explained in the paragraph "Total assets" above.

Placements with and loans to banks and other financial institutions

Placements with and loans to banks and other financial institutions as at 31 December 2015, 2016 and 2017 and 30 June 2018 were approximately RMB500,000,000), RMB624,330,000, RMB71,876,000 and RMB251,431,000 respectively. The changes in the balances of placements with and loans to banks and other financial institutions were due to interbank lending and borrowing activities for working capital management and income generating purposes.

Loans and advances to customers

Loans and advances to customers increased from approximately RMB4,704,986,000 as at 31 December 2017 (2016: RMB4,241,478,000, 2015: RMB4,258,308,000) to approximately RMB4,911,797,000 as at 30 June 2018 mainly due to the increases in corporate loans and advances and discounted bills.

Allowances for impairment losses as at 31 December 2015, 2016 and 2017 and 30 June 2018 were RMB10,000,000, RMB20,000,000, RMB20,000,000 and RMB51,132,000 respectively. Identified impaired gross loans and advances as a percentage of gross loans and advances as at 31 December 2015, 2016 and 2017 and 30 June 2018 were approximately 0.33%, 0.52%, 0.43% and 1.06% respectively, which remained at acceptable levels. The higher percentage as at 30 June 2018 was mainly due to a larger balance of allowance for impairment losses of approximately RMB51,132,000, including additional impairment allowance of approximately RMB31,132,000 made on loans and advances as at 1 January 2018 as a result of changes in the measurement of financial instruments under HKFRS9.

Interest receivables and other receivables

The interest receivables for CIMC Finance as at 30 June 2018 were approximately RMB7,590,000. The interest receivables as at 31 December 2017 were approximately RMB8,481,000 (2016: RMB21,620,000; 2015: RMB15,238,000). The movements in the balances of interest receivables were affected by the holding periods of interest bearing assets and the time of settlement. Interest receivables primarily include interest from loans and advances to customers being RMB5,242,000 (2017: RMB4,922,000, 2016: RMB12,424,000, 2015: RMB7,910,000) and deposits with banks and other financial institutions being RMB1,805,000 (2017: RMB1,747,000, 2016: RMB8,120,000, 2015: RMB6,760,000). The interest receivables are all aged within one year.

The other receivables for CIMC Finance as at 30 June 2018 were approximately RMB12,603,000. The other receivables as at 31 December 2017 were approximately RMB2,334,000 (2016: RMB1,575,000; 2015: RMB1,055,000).

The ageing analysis of other receivables is as follows:

	As at 31 December			As at 30 June
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within a year	854	550	1,539	11,479
1-2 years	201	1,025	603	329
2-3 years	–	–	192	602
Above 3 years	–	–	–	193
	1,055	1,575	2,334	12,603

CIMC Finance conducts regular review on the recoverability of other receivables which include long-term receivables comprising mainly property and lease deposits which will be offset by the property fees when CIMC Finance terminates the property leases. No receivables are considered to be unrecoverable and no provision is required.

Capital adequacy ratio

CIMC Finance measures its capital adequacy ratio in accordance with Yin Jian Fa [2006] No. 96 "Rules for Regulating Risk of Finance Companies" issued by China Banking Regulatory Commission, details of which are set out in note 4.4 (Financial risk management – Capital risk management) in the Accountants' Report on CIMC Finance set out in Appendix IIA.

Capital structure

The registered capital of CIMC Finance prior to the CIMC Finance Capital Increase is RMB500,000,000. Total equity attributable to owners of CIMC Finance amounted to approximately RMB815,870,000 as at 30 June 2018 and RMB807,520,000 as at 31 December 2017 (2016: RMB737,055,000; 2015: RMB704,163,000).

Cash Flows

The following table sets forth the CIMC Finance's cash flows for the periods indicated:

	Year ended 31 December			**Six months ended 30 June**	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cash from operations	563,858	1,688,549	47,516	(563,960)	(914,749)
Income tax paid	(20,572)	(17,501)	(26,983)	(13,626)	(19,835)
Net cash flows generated from/(used in) operating activities	543,286	1,671,048	20,533	(577,586)	(934,584)
Net cash flows (used in)/ generated from investing activities	(21,746)	(866)	1,705	(18,773)	717
Net cash flows used in financing activities	(20,327)	(22,159)	(11,299)	–	(34,348)
Increase/(decrease) in cash and cash equivalents	501,213	1,648,023	10,939	(596,359)	(968,215)
Net foreign exchange differences	30,065	36,649	(74,535)	(19,865)	(14,281)
Cash and cash equivalents at beginning of the year/period	725,994	1,257,272	2,941,944	2,941,944	2,878,348
Cash and cash equivalents at end of the year/period	1,257,272	2,941,944	2,878,348	2,325,720	1,895,852

The changes in net cash flows from operating activities were mainly due to changes in the loans and advances to customers granted by CIMC Finance and the size of savings deposits placed by customers. The changes in net cash flows from investing activities were mainly attributable to the purchase and sale of bonds in the bonds market. The changes in net cash flows from financing activities were mainly due to distributions of dividends by CIMC Finance to its sole shareholder.

4. Employees and Remuneration Policy

As at 30 June 2018 and 31 December 2017, 2016 and 2015, the number of employees of CIMC Finance were 46, 49, 68 and 70 respectively. The decrease in the number of employees was due to the adjustments of job functions and the improvement of the employees' productivity. The employees are remunerated with basic salaries, bonuses, allowance and subsidies, housing funds and social insurance and are timely distributed and paid in accordance with the relevant laws and regulations and the Group's policy.

During the six months ended 30 June 2018 and the years ended 31 December 2017, 2016, 2015, the employee benefit expenses (including salaries, bonuses, allowance and subsidies, housing funds, social insurance, labour union fees and staff and education expenses and defined contribution benefits) were approximately RMB10,636,000 (six months ended 30 June 2017: RMB13,130,000), RMB22,009,000, RMB34,836,000 and RMB33,737,000 respectively. The changes in staff costs for the three years ended 31 December 2015, 2016, 2017, and the six months ended 30 June 2018 were mainly due to the reasons explained in the section "2. Financial Review – Operating expenses – staff costs" above.

5. Charge on Assets

CIMC Finance did not have any charge on assets as at 30 June 2018.

6. Foreign Exchange Risk

The revenue and operating costs of CIMC Finance were principally denominated in RMB. CIMC Finance monitors the foreign exchange risk and will consider hedging significant foreign currency risk exposure should the need arise. For monetary assets and monetary liabilities that are not denominated in RMB, if there is a short- term imbalance, CIMC Finance will buy and sell foreign currencies at market exchange rates when necessary to ensure that the net risk exposure is maintained at an acceptable level.

7. Material Investment, Acquisition and Disposals

There was no material investment, acquisition and disposal during the relevant period.

8. Contingent Liabilities

No material contingent liability had come to the attention of the Directors in the year ended 31 December 2015, 2016, 2017 and up to the 6 months ended 30 June 2018.

II. MANAGEMENT DISCUSSION AND ANALYSIS OF TONGCHUANG

Set out below is the management discussion and analysis of Tongchuang from 22 March 2016 (date of incorporation) to the year ended 31 December 2017 and the six months ended 30 June 2018. The following financial information is based on the Accountant's Report of the Tongchuang as set out in Appendix IIB to this circular.

1. Overview of Tongchuang

Tongchuang is a limited liability company established in the PRC on 22 March 2016. It is principally engaged in (i) sale and trading of steel and aluminum products; and (ii) supply chain management services. Its target customers are CIMC and its subsidiaries and business enterprises outside the CIMC Group.

2. Financial Review

Revenue

Tongchuang did not carry out any operating activities from its establishment to 30 June 2017 and hence no revenue was recorded for the period.

Revenue of Tongchuang for the year ended 31 December 2017 was approximately RMB1,082,563, which comprised mainly commission income from supply chain management services.

Revenue of Tongchuang for the six months ended 30 June 2018 was approximately RMB2,908,958, which primarily represented commission income generated from trading of steel products business and provision of supply chain management services.

Cost of Sales

Cost of sales of Tongchuang for the year ended 31 December 2017 was zero. Labor cost for part-time employees of Tongchuang for the year was paid by related parties on behalf of Tongchuang.

Cost of sales of Tongchuang for the six months ended 30 June 2018 was approximately RMB830,176 which represented bank charges for bank guarantee in relation to purchases.

Gross Profit

Gross profit of Tongchuang for the year ended 31 December 2017 was approximately RMB1,082,563.

Gross profit of Tongchuang for the six months ended 30 June 2018 was approximately RMB2,078,782.

Selling and Distribution Expenses

Selling and distribution expenses for the six months ended 2018 were approximately RMB21,997.

General and Administrative Expenses

General and administrative expenses of Tongchuang for the year ended 31 December 2017 were approximately RMB188,768 which comprised mainly financial consulting fees.

General and administrative expenses of Tongchuang for the six months ended 30 June 2018 were approximately RMB325,779 which mainly comprised legal and financial consulting fees. The significant increase in general and administrative expenses of Tongchuang was mainly due to the additional legal fees incurred for the capital increase of Tongchuang and other legal advisory services on its daily business.

Operating Profit

Operating profit of Tongchuang for the year ended 31 December 2017 was approximately RMB893,961.

Operating profit of Tongchuang for the six months ended 30 June 2018 was approximately RMB1,789,656.

Profit for the Year/Period

Profit before income tax for the year ended 31 December 2017 was RMB893,961. Income tax expense for the year was approximately RMB223,490 with an effective tax rate of 25%. As a result, profit of Tongchuang for the year ended 31 December 2017 was RMB670,471.

Profit before income tax for the six months ended 30 June 2018 was RMB1,789,656. Income tax expense for the period was approximately RMB447,414 with an effective tax rate of 25%. As a result, profit of Tongchuang for the six months ended 30 June 2018 was RMB1,342,242.

3. Liquidity, Financial Resources and Capital Structure

Current Assets

The current assets of Tongchuang as at 31 December 2017 was approximately RMB1,087,927 comprising trade receivables due from related parties of RMB811,661 and cash balance of RMB276,266.

The current assets of Tongchuang as at 30 June 2018 were approximately RMB49,051,853 comprising trade receivables due from third parties of RMB29,354,881, trade receivables due from related parties of RMB2,775,372, cash balance of RMB12,592,468 and prepayments of RMB4,329,132.

(a) Trade and other receivables

The trade receivables of Tongchuang at 31 December 2017 amounted to RMB811,661 were all due from related parties. The trade receivables due from related parties and due from third parties as at 30 June 2018 were RMB2,775,372 and RMB29,354,881, respectively. The trade receivables due from third parties at 30 June 2018 was mainly the receivables due from a third party customer for the steel products sold. As Tongchuang acted as an intermediary in the trading transactions and had no control over the specified goods before they are delivered to the customer, based on the applicable accounting standards, Tongchuang could only recognise the commission income, representing the difference between the sales amount and the purchase cost of the goods, as revenue after the underlying transactions are completed. However, trade receivables and trade payables were separately recorded in the financial statements of Tongchuang based on the contractual terms of the transactions since Tongchuang was entitled to receive the sales amount from the customers and liable to pay the costs of goods to suppliers at the same time.

The credit period granted to third parties ranged from 30 to 90 days. The aging analysis of trade receivables based on invoice date, as at 31 December 2017 and 30 June 2018 was as follows:

	Year ended 31 December 2017	**Six months ended 30 June 2018**
	RMB	*RMB*
Trade receivables		
– Within 90 days	811,661	32,130,253

(b) Cash balance

The cash balance of Tongchuang as at 31 December 2017 were approximately RMB276,266, which comprised solely cash at bank.

The cash balance of Tongchuang as at 30 June 2018 were approximately RMB12,592,468, which comprised mainly cash of RMB8,087,427 deposited with CIMC Finance.

(c) Prepayments

There were no prepayments in Tongchuang as at 31 December 2017 as Tongchuang did not conduct any material trading business in 2017 and hence did not make prepayments to suppliers.

As at 30 June 2018, Tongchuang had prepayments of approximately RMB4,329,132. The prepayments represented mainly the purchase payments made in advance to the suppliers and were aged within 90 days.

Non-Current Assets

There were no non-current assets in Tongchuang as at 30 June 2017 to 30 June 2018 as Tongchuang did not utilise any non-current assets.

Current Liabilities

The current liabilities of Tongchuang as at 31 December 2017 were approximately RMB417,456 which comprised trade and other payables of RMB286,173 and current income tax liabilities of RMB131,283.

The current liabilities of Tongchuang as at 30 June 2018 were approximately RMB11,339,140 which comprised trade and other payables of RMB6,506,637, contract liabilities of RMB4,385,089 and current income tax liabilities of RMB447,414.

(1) Trade and other payables

Trade and other payables of Tongchuang as at ended 31 December 2017 were RMB286,173, which consisted of amounts due to related parties which represented the financial consulting fees payable to CIMC Finance and tax payables other than income tax payables.

Trade and other payables of Tongchuang as at 30 June 2018 were RMB6,506,637, which comprised mainly trade payables to third parties which represented purchase amounts due to suppliers and amounts due to related parties, which represented bank charges for issuing letters of guarantee for CIMC Group.

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

	Year ended 31 December 2017 *RMB*	Six months ended 30 June 2018 *RMB*
Within 60 days	–	5,656,605

(2) Contract liabilities

There were no contract liabilities of Tongchuang as at 31 December 2017.

The contract liabilities of Tongchuang as at 30 June 2018 were approximately RMB4,385,089 which represented advances from third party customers based on the sales contracts.

(3) Current income tax liabilities

As at 31 December 2017, the current income tax liabilities for Tongchuang were RMB131,283.

As at 30 June 2018, the current income tax liabilities for Tongchuang were RMB447,414.

Non-current Liabilities

There were no non-current liabilities in Tongchuang as at 30 June 2017 to 30 June 2018.

Current ratio

Tongchuang's current ratio (being current assets divided by current liabilities) as at 31 December 2017 was approximately 2.61 times and as at 30 June 2018 was approximately 4.33 times. The change in current ratio was due to increased business volume relating to the provision of supply chain management services and the steel and aluminum trading business of Tongchuang in 2018 and the increase in cash balance due to the capital paid up by the shareholders of Tongchuang.

Gearing ratio

As at 31 December 2017, the gearing ratio (being total liabilities divided by total equities) was approximately 62%. As at 30 June 2018, the gearing ratio was approximately 30%. The gearing ratio at 31 December 2017 was higher because the registered capital of Tongchuang was not paid up until 2018.

Liquidity and Cash Flows

	For the Year Ended 31 December 2017	For the Six Months Ended 30 June 2018
	RMB	*RMB*
Net cash generated from/(used in) operating activities	276,266	(23,383,798)
Cash flow from financing activities	–	35,700,000
Net increase in cash	276,266	12,316,202
Cash at the beginning of the year/period	–	276,266
Cash at the end of the year/period	276,266	12,592,468

Tongchuang has a net cash outflow from operating activities for the six months ended 30 June 2018 because of the increase in accounts receivables arising from increased business volume in the second quarter of 2018. On the other hand, the net cash inflow from financing activities was mainly attributable to the capital injection from Tongchuang's shareholder in 2018.

4. Employees and Remuneration Policy

As at 31 December 2017, Tongchuang had 1 employee. As at 30 June 2017 and 30 June 2018, Tongchuang had 0 and 3 employees, respectively. The employees are remunerated with basic salary, bonus and other benefits in kind with reference to industry practice and their individual performance.

For the year ended 31 December 2017, Tongchuang has no employees' benefit expenses. During the six months ended 30 June 2017 and 30 June 2018, the employees' benefit expenses of Tongchuang were RMB0 and RMB77,676, respectively. The employees' benefit expenses mainly comprise salaries, wages and welfare, pension, housing fund, medical insurance and other social insurances.

5. Charge on Assets

Tongchuang did not have any charge on assets as at 30 June 2018.

6. Foreign Exchange Risk

The revenue and operating costs of Tongchuang were principally denominated in RMB. Tongchuang monitors the foreign exchange risk and will consider hedging significant foreign currency risk exposure should the need arise.

7. Contingent liabilities

No material contingent liability of Tongchuang had come to the attention of the Directors from the six months ended 30 June 2017 and up to the 6 months ended 30 June 2018.

III. MANAGEMENT DISCUSSION AND ANALYSIS OF HUIJIE

Set out below is the management discussion and analysis of Huijie from 13 July 2018 (date of incorporation) to 30 September 2018.

1. Overview of Huijie

Huijie is a limited liability company established in the PRC on 13 July 2018. It is a procurement company and principally engaged in providing procurement services. Its target customers are CIMC and its subsidiaries and business enterprises outside the CIMC Group. Huijie is mainly focused on ancillary materials for production such as chemical materials, paint, engine oil etc., hazardous waste treatment, and machinery repairing and maintenance services.

2. Financial Review

Registered Capital

The registered capital of Huijie is RMB100,000,000. As at 30 September 2018, RMB70,000,000 out of the registered capital has been paid up.

Revenue and Profit

Based on the unaudited management accounts of Huijie for the period from the date of its incorporation to 30 September 2018, the revenue of Huijie was approximately RMB1,477,000, which represented income generated from sales of plastic products to an external customer, and Huijie's loss before taxation and loss after taxation for the period were both RMB12,669.

Net Asset Value

The unaudited net asset value of Huijie as at 30 September 2018 were approximately RMB70 million which primarily represented the amount of registered capital contributed by its shareholders to date.

3. Employees and Remuneration Policy

Huijie has no employees as at 30 June 2018 as it was only established in July 2018. It has not employed any staff up to the Latest Practicable Date.

4. Charge on Assets

Huijie did not have any charge on assets as at the Latest Practicable Date.

5. Foreign Exchange Risk

It is expected that the revenue and operating costs of Huijie will principally be denominated in RMB. Huijie monitors the foreign exchange risk and will consider hedging significant foreign currency risk exposure should the need arise.

6. Material Investment, Acquisition and Disposals

There was no material investment, acquisition and disposal by Huijie during the relevant period.

7. Contingent Liabilities

No material contingent liability of Huijie had come to the attention of the Directors since its establishment and up to the Latest Practicable Date.

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

(i) Directors and chief executive of the Company

Save as disclosed below, as of 30 June 2018, none of the directors or chief executive has any interest or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (Cap. 571 of the Laws of Hong Kong) ("SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or were required, pursuant to section 352 of the SFO to be entered in the register required to be kept therein or which were required, pursuant to the Model Code for Securities Transactions by directors of Listed Companies of the Listing Rules, to be notified to the Company and the Stock Exchange.

Long positions in ordinary shares of the Company

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

Share Options of the Company

As at 30 June 2018, the Company had the following share options outstanding which were granted to certain directors of the Company in accordance with the terms of the share option scheme of the Company adopted on 29 May 2009.

Name of the director	Number of shares of HK$0.01 each of the Company issuable under the options (Outstanding at 30 June 2018)	Percentage of the issued share capital of the Company as at 30 June 2018
Jiang Xiong	4,000,000	0.028%
Loke Yu	4,000,000	0.028%
Heng Ja Wei	4,000,000	0.028%
Ho Man	2,000,000	0.014%
	14,000,000	0.098%

(ii) Substantial Shareholders

As at 30 June 2018, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of certain directors of the Company, the following shareholders had notified the Company of their relevant interests in the issued share capital of the Company.

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

Shareholders	Capacity/type of interest	Number of shares interested *(Note 10)*	Percentage of issued shares *(Note 10)*	Number of shares interested under equity derivatives *(Note 11)*	Total number of shares/ underlying shares under equity derivatives *(Note 11)*	Percentage of issued shares *(Note 12)*
CIMC Top Gear B.V.	Beneficial owner	1,223,571,430	8.5%	–	1,223,571,430	6.4%
Cooperatie CIMC U.A.	Interest of a controlled corporation *(Note 1)*	1,223,571,430	8.5%	–	1,223,571,430	6.4%
Sharp Vision Holdings Limited ("Sharp Vision")	Beneficial owner	6,164,472,279	42.6%	3,454,490,318	9,618,962,597	50.5%

Shareholders	Capacity/type of interest	Number of shares interested *(Note 10)*	Percentage of issued shares *(Note 10)*	Number of shares interested under equity derivatives *(Note 11)*	Total number of shares/ underlying shares under equity derivatives *(Note 11)*	Percentage of issued shares *(Note 12)*
China International Marine Containers (Hong Kong) Limited ("CIMC HK")	Interest of a controlled corporation *(Note 2&3)*	7,388,043,709	51.1%	3,454,490,318	10,842,534,027	56.9%
CIMC	Interest of a controlled corporation *(Note 4)*	7,388,043,709	51.1%	3,454,490,318	10,842,534,027	56.9%
Fenqiang Holdings Limited ("Fenqiang")	Beneficial owner	2,290,956,291	15.8%	325,795,402	2,616,751,693	13.7%
Fenqiang Hong Kong Co., Limited ("Fenqiang HK")	Interest of a controlled corporation *(Note 5)*	2,290,956,291	15.8%	325,795,402	2,616,751,693	13.7%
Shenzhen TGM Ltd.* (深圳特哥盟科技有限公司) ("TGM")	Interest of a controlled corporation *(Note 5)*	2,290,956,291	15.8%	325,795,402	2,616,751,693	13.7%
Genius Earn Limited	Beneficial owner	115,375,000	0.8%	–	115,375,000	0.6%
Lucky Rich Holdings Limited ("Lucky Rich")	Beneficial owner	1,264,679,470	8.7%	697,884,300	1,962,563,770	10.3%
Shanghai Yunrong Investment Centre* (上海蘊融投資中心(有限合夥))	Interest of a controlled corporation *(Note 6)*	1,264,679,470	8.7%	697,884,300	1,962,563,770	10.3%
Shenzhen Jiuming Investment Consulting Co., Ltd.* (深圳市久名投資諮詢有限公司)	Interest of a controlled corporation *(Note 6)*	1,264,679,470	8.7%	697,884,300	1,962,563,770	10.3%
Liu Xiaolin	Interest of a controlled corporation *(Note 7)*	1,380,054,470	9.5%	697,884,300	2,077,938,770	10.9%
Yang Yuan	Interest of a controlled corporation *(Note 8)*	1,380,054,470	9.5%	697,884,300	2,077,938,770	10.9%
Dazi Dingcheng Capital Investment Co., Ltd.* (達孜縣鼎誠資本投資有限公司)	Interest of a controlled corporation *(Note 9)*	1,264,679,470	8.7%	697,884,300	1,962,563,770	10.3%

Shareholders	Capacity/type of interest	Number of shares interested (Note 10)	Percentage of issued shares (Note 10)	Number of shares interested under equity derivatives (Note 11)	Total number of shares/ underlying shares under equity derivatives (Note 11)	Percentage of issued shares (Note 12)
Beijing Zhongrong Dingxin Investment Management Co., Ltd.* (北京中融鼎新投資管理有限公司)	Interest of a controlled corporation *(Note 9)*	1,264,679,470	8.7%	697,884,300	1,962,563,770	10.3%
Zhongrong International Trust Co., Ltd.* (中融國際信託有限公司)	Interest of a controlled corporation *(Note 9)*	1,264,679,470	8.7%	697,884,300	1,962,563,770	10.3%
Jingwei Textile Machinery Co., Ltd	Interest of a controlled corporation *(Note 9)*	1,264,679,470	8.7%	697,884,300	1,962,563,770	10.3%

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

Notes:

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

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

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

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

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

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

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

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

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

10. The number of shares and percentage stated represents the number of shares held as stated in the relevant disclosure of interest forms and as percentage of the issued share capital of the Company at 30 June 2018.

11. Number of shares represents the number of shares held assuming all of the outstanding convertible bonds held have been fully converted, as stated in the relevant disclosure of interest forms.

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

Other than as disclosed above, the Company has not been notified of any other interests or short position in the issued share capital of the Company as at 30 June 2018.

3. DIRECTORS' INTERESTS IN ASSETS AND CONTRACTS OF THE GROUP

On 4 December 2017, the Company and its subsidiary, Wang Sing Technology Limited, entered into a sales and purchase agreement to acquire 78.15% and 21.26% respectively from Sharp Vision and Fengqiang, of the equity interests in Pteris, a non-wholly owned subsidiary of CIMC. Fengqiang is wholly-owned by TGM (深圳特哥盟科技有限公司), a company established in the PRC which is in turn owned by the employees of Pteris and its subsidiaries. Mr. Zheng Zu Hua and Mr. Luan You Jun, each being an executive director of the Company, hold approximately 7.2% and 4.5% of the equity interest in TGM, respectively. Details of the Pteris Acquisition are set out in the joint announcement of the Company and CIMC dated 4 December 2017 and in the circular of the Company dated 15 March 2018. The Pteris Acquisition was completed on 23 April 2018.

Save for the Transactions and the Pteris Acquisition disclosed above, since 31 December 2017, the date to which the latest published audited financial statements of the Group were made up, none of the Directors (i) has, or has had, any direct or indirect interest in any assets which have been acquired or disposed of by or leased to, or proposed to be acquired or disposed of by or leased to, any member of the Group; and (ii) is materially interested in any contract or arrangement entered into by any member of the Group subsisting as at 30 June 2018 which was significant in relation to the business of the Group taken as a whole.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors or proposed Directors had entered into or proposed to enter into any service contract with any member of the Group. As at the Latest Practicable Date, (i) none of the Directors had any service contracts with the Company or any of its subsidiaries or associated companies in force which (a) (including both continuous and fixed term contracts) had been entered into or amended within 6 months before the Latest Practicable Date; (b) were continuous contracts with a notice period of 12 months or more; or (c) were fixed term contracts with more than 12 months to run irrespective of the notice period; and (ii) none of the Directors had any existing or proposed service contract with any member of the Enlarged Group which does not expire or is not determinable by such member of the Enlarged Group within one year without payment of compensation (other than statutory compensation).

5. COMPETING BUSINESS INTEREST OF DIRECTORS

As at the Latest Practicable Date, none of the Directors or their respective associates was beneficially interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Enlarged Group as required to be disclosed pursuant to the Listing Rules.

6. MATERIAL CONTRACTS

As at the Latest Practicable Date, the following contracts, not being contracts entered into in the ordinary course of business, were entered into by members of the Enlarged Group within the two years immediately preceding the Latest Practicable Date which are, or may be material:

(1) a joint venture agreement dated 24 December 2016 entered into between CIMC-Tianda Airport Support and Jieyang Liulin Investment Co., Ltd. (揭陽市六林投資有限公司) in relation to the establishment of Shenzhen CIMC Tianda Jirong Air Refrigeration Co., Ltd. (深圳中集天達吉榮航空製冷有限公司), in which TianDa made a contribution of RMB35 million, representing 70% of its registered capital;

(2) a business transfer agreement dated 21 February 2017 entered into between Shenzhen CIMC TianDa Jirong Air Refrigeration Co., Ltd. (深圳中集天達吉榮航空製冷有限公司) (a non-wholly owned subsidiary of CIMC-Tianda Airport Support) and Guangdong Jirong Air Conditional Co., Ltd. (廣東吉榮空調有限公司) in relation to the transfer of aircraft ground air conditioning business at the consideration of RMB48.88 million;

(3) an equity transfer agreement dated 8 May 2017 entered into between Zhengzhou Jinjibao Electronic Technology Co., Ltd. (鄭州金集寶電子科技有限公司) and four other individuals as sellers, and CIMC-Tianda Airport Support and Kunshan CIMC Logistic Automation Equipment Co., Ltd. (昆山中集物流自動化設備有限公司) (a wholly-owned subsidiary of CIMC-Tianda Airport Support) as purchasers in relation to the transfer of 100% equity interests in Zhengzhou KT logistics automation system Co. Ltd. (鄭州金特物流自動化系統有限公司) at the consideration of RMB20.0 million;

(4) a sale and purchase agreement dated 4 December 2017 in respect of the Pteris Acquisition at the consideration of RMB3,806,530,716;

(5) an equity transfer agreement dated 4 December 2017 in respect of the Tianda Acquisition at the consideration of RMB610,553,589;

(6) a subscription agreement dated 6 February 2018, pursuant to which State-Owned Enterprise Structural Adjustment China Merchants Buyout Fund (Limited Partnership)* (深圳國調招商併購股權投資基金合夥企業(有限合夥)), a limited partnership established in the PRC, to subscribe for 673,225,000 new ordinary shares of the Company at HKD0.366 per share;

(7) an equity transfer agreement dated 31 July 2018, pursuant to which, the Group will acquire 60% equity interests in Shenyang Jietong Fire Truck Co., Ltd. (瀋陽捷通消防車有限公司) ("Jietong"), a company principally engaged in the manufacturing of fire engines and is a leading manufacturer of aerial lifting fire trucks in the PRC, at cash consideration of RMB600,000,000;

(8) the CIMC Finance Capital Increase Agreement;

(9) the Huijie Equity Transfer Agreement; and

(10) the Tongchuang Equity Transfer Agreement.

Save for the contracts described as above, there were no material contracts (not being contracts entered into in the ordinary course of business of the Enlarged Group) which have been entered into by any member of the Enlarged Group within the two years immediately preceding the Latest Practicable Date.

7. LITIGATION

Rental dispute

A subsidiary of the Company was named as a defendant in a litigation case in Chengdu in respect of a rental dispute for a property leased for operating a hotel. The Group sold the hotel business in 2014. The subsidiary lost in the case and the Group has made a provision for the claims against the Group of RMB16.2 million for the year ended 31 December 2016 (disclosed as other expenses in 2016 annual report of the Group). The subsidiary appealed and the court of appeal overturned the original judgement and ordered a retrial in June 2017. The landlord and the Group agreed to settle the case but the negotiation is still in progress as at the Latest Practicable Date. The settlement agreement is yet to be confirmed and there is no proceeding in court relating to the afore-mentioned case as at the Latest Practicable Date.

Property damage compensation dispute

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

Save as disclosed above, as at the Latest Practicable Date, neither the Company nor any other member of the Enlarged Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance known to the Directors to be pending or threatened against any member of the Group.

8. QUALIFICATION AND CONSENT OF EXPERTS

The following is the qualification of each of the experts who has provided advice for inclusion in this circular:

Name	Qualification
PricewaterhouseCoopers	Certified Public Accountants
China AF Corporate Finance Limited	A corporation licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and/or reference to its name or opinion in the form and context in which it appears.

As at the Latest Practicable Date, each of the above experts was not beneficially interested in the share capital of any member of the Group nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, each of the above experts did not have any direct or indirect interest in any assets which had since 31 December 2017 (being the date to which the latest published audited financial statements of the Group were made up) been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

9. GENERAL

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

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

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

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

(e) The principal share registrars of the Company is SMP Partners (Cayman) Limited.

(f) The English text of this circular shall prevail over their respective Chinese text for the purpose of interpretation.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the Company's principal place of business in Hong Kong at Units A-B, 16/F, China Overseas Building, 139 Hennessy Road, Wan Chai, Hong Kong during normal business hours on any weekdays, except public holidays, from the date of this circular up to and including the date of the EGM:

(a) the articles of association of the Company;

(b) the annual reports of the Company for years ended 31 December 2016 and 2017 and the interim report of the Company for the six months ended 30 June 2018;

(c) each of the material contracts set out under the paragraph headed "Material Contracts" in this appendix;

(d) the letter from the Board as set out in this circular;

(e) the letter from the Independent Board Committee as set out in this circular;

(f) the letter from the Independent Financial Adviser as set out in this circular;

(g) the accountant's reports on CIMC Finance and Tongchuang, the text of which is set out in Appendix IIA and Appendix IIB to this circular, respectively;

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

(i) the letters of consent from the experts identified in the section headed "Qualification and Consent of Expects" above in this appendix;

(j) the circular of the Pteris Acquisition and Tianda Acquisition dated 15 March 2018; and

(k) this circular.

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

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 445)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting of CIMC-TianDa Holdings Company Limited (the "**Company**") will be held at Falcon Room II, Basement, Gloucester Luk Kwok Hong Kong, 72 Gloucester Road, Wanchai, Hong Kong on 6 November 2018 (Tuesday) at 3:00 p.m. for the purposes of considering and, if thought fit, passing, with or without modifications, the following resolutions as ordinary resolutions of the Company. Unless the context requires otherwise, capitalized terms used shall have the same meanings as defined in the circular of the Company dated 16 October 2018.

ORDINARY RESOLUTIONS

1. **"THAT:**

(a) the CIMC Finance Capital Increase Agreement dated 20 July 2018 entered into between CIMC-Tianda Airport Support, an indirect non-wholly owned subsidiary of the Company, CIMC, Southern CIMC Containers, Enric Jingmen and CIMC Modern Logistics, pursuant to which CIMC-Tianda Airport Support agreed to subscribe for registered capital of RMB97,000,000 of CIMC Finance. for a consideration of RMB149,995,328.18, by and is hereby approved, confirmed and ratified.

(b) the Huijie Equity Transfer Agreement dated 20 July 2018 entered into between Allied Best (China), an indirect wholly owned subsidiary of the Company, and CIMC Tianda (Shenzhen), pursuant to which Allied Best (China) agreed to acquire the Huijie Sale Shares from CIMC Tianda (Shenzhen) at nil consideration and assume the obligation of CIMC Tianda (Shenzhen) to contribute RMB10,000,000 to the registered capital of Huijie upon completion of the acquisition of the Huijie Sale Shares by Allied Best (China) from CIMC Tianda (Shenzhen), by and is hereby approved, confirmed and ratified.

(c) the Tongchuang Equity Transfer Agreement dated 28 August 2018 entered into between Allied Best (China), an indirect wholly owned subsidiary of the Company, and CIMC Tianda (Shenzhen), pursuant to which Allied Best (China) agreed to acquire Tongchuang Sale Shares from CIMC Tianda (Shenzhen) at nil consideration, and assume the obligation of CIMC Tianda (Shenzhen) to contribute RMB10,000,000 to the registered capital of Tongchuang upon completion of the acquisition of the Tongchuang Sale Shares by Allied Best (China) from CIMC Tianda (Shenzhen), by and is hereby approved, confirmed and ratified.

(d) any one of the directors of the Company be and is hereby authorised to sign, execute, perfect, deliver, negotiate, agree and do all such documents, deeds, acts, matters and things, as the case may be, as he or she may, in his or her opinion or discretion, consider reasonable, necessary, desirable or expedient to implement and/or give effect to the Transactions, the CIMC Finance Capital Increase Agreement, the Huijie Equity Transfer Agreement and the Tongchuang Equity Transfer Agreement, and all the transactions contemplated thereunder with any changes as such director may consider reasonable, necessary desirable or expedient."

Yours faithfully,
On behalf of the Board
CIMC-TianDa Holdings Company Limited
Dr. Li Yin Hui

Registered Office:

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

Head Office and Principal Place of Business in Hong Kong:

Units A-B, 16th Floor
China Overseas Building
139 Hennessy Road
Wan Chai, Hong Kong

Hong Kong, 16 October 2018

Notes:

1. A form of proxy for use at the meeting is enclosed herewith.

2. The instrument appointing a proxy shall be in writing under the hand of the appointer or his/her attorney duly authorised in writing or, if the appointer is a corporation, either under its seal or under the hand of any officer, attorney or other person authorised to sign the same.

3. Any shareholder entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not be a shareholder of the Company.

4. For the purpose of determining the list of shareholders who are entitled to attend and vote at the EGM, the shareholders' register of the Company will be closed from Thursday, 1 November 2018 to Tuesday, 6 November 2018. No transfer of shares of the Company will be registered during that day. In order to qualify to attend and vote at the EGM, all instruments of transfer together with the relevant share certificate(s) must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 31 October 2018.

5. In order to be valid, a form of proxy in the prescribed form together with the power of attorney or other authority (if any) under which it is signed must be deposited at the Company's branch registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time fixed for holding the meeting.

6. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or at any adjourned meeting thereof (as the case may be) should you so wish, and in such an event, the form of proxy shall be deemed to be revoked.

7. Where there are joint registered holders of any share, any one of such joint holders may vote, either in person or by proxy, in respect of such shares as if he/she was solely entitled thereto, but if more than one of such joint holders are present at the meeting, whether in person or by proxy, the joint registered holder present whose name stands first on the register of members in respect of the shares shall be accepted to the exclusion of the votes of the other registered holders.

As at the date of this notice, the Board comprises Mr. Jiang Xiong (Honorary Chairman), Mr. Zheng Zu Hua and Mr. Luan You Jun as executive Directors; Dr. Li Yin Hui (Chairman), Mr. Yu Yu Qun and Mr. Robert Johnson as non-executive Directors; and Dr. Loke Yu, Mr. Heng Ja Wei and Mr. Ho Man as independent non-executive Directors.