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If you have sold or transferred all your shares in CIMC-TianDa Holdings Company Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank manager, licensed securities dealer or registered institution in securities or other agent through whom the sale was effected for transmission to the purchaser or the transferee.

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CIMC | TianDa
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)

CONTINUING CONNECTED TRANSACTIONS

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

**Independent Financial Adviser to the Independent Board Committee
and the Independent Shareholders**



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

Capitalised terms used on this cover shall have the same meanings as those defined in the section headed “Definitions” in this circular, unless the content requires otherwise.

A notice convening the EGM to be held at Empire Room I, 1/F, Empire Hotel Hong Kong - Wanchai, 33 Hennessy Road, Wan Chai, Hong Kong on 5 December 2018 (Wednesday) at 3:00 p.m. is set out on pages 72 to 76 of this circular. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited of 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 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.

A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 33 to 34 of this circular. A letter from China AF, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 35 to 61 of this circular.

15 November 2018

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Board	5
Letter from the Independent Board Committee	33
Letter from China AF	35
Appendix – General Information	62
Notice of Extraordinary General Meeting	72

DEFINITIONS

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

“Albert Ziegler Beijing”	Albert Ziegler Beijing Ltd., a company established in the PRC with limited liability and an indirect non-wholly-owned subsidiary of CIMC
“Announcements”	the announcements dated 20 September 2018 and 19 October 2018 respectively made by the Company in relation to, among other things, the Continuing Connected Transactions Agreements
“AZ Management Service Agreement”	the agreement dated 20 September 2018 and entered into between the Company and Albert Ziegler Beijing in relation to the provision of management services by the Company to Albert Ziegler Beijing for a term commencing from the date on which the AZ Management Service Agreement becoming unconditional and ending on 31 December 2020
“Board”	board of directors of the Company
“China AF”/“Independent Financial Adviser”	China AF Corporate Finance Limited, a corporation licensed to carry on Type 6 (advising on corporate finance) regulated activity as defined under the SFO, being the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Continuing Connected Transactions Agreements
“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 Group”	CIMC and its subsidiaries
“CIMC-Tianda Shenzhen”	CIMC-Tianda Holdings (Shenzhen) Limited, a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of CIMC
“CIMC-Tianda Shenzhen Management Service Agreement”	the agreement dated 20 September 2018 and entered into between the Company and CIMC-Tianda Shenzhen in relation to the provision of management services by the Company to CIMC-Tianda Shenzhen for a term commencing from the date on which the CIMC-Tianda Shenzhen Management Service Agreement becoming unconditional and ending on 31 December 2020

DEFINITIONS

“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(s)”	has the meaning ascribed to it under the Listing Rules
“Continuing Connected Transactions Agreements”	collectively, the Master Sourcing Agreement, the Master Transportation Service Agreement, the Master Installation Service Agreement, the CIMC-Tianda Shenzhen Management Service Agreement, the AZ Management Service Agreement and the Master Sale and Purchase Agreement
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened at Empire Room I, 1/F, Empire Hotel Hong Kong - Wanchai, 33 Hennessy Road, Wan Chai, Hong Kong on 5 December 2018 (Wednesday) at 3:00 p.m. for the purpose of considering and, if thought fit, approving, among other things, the Continuing Connected Transactions Agreements and the transactions contemplated thereunder
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent committee comprising all the independent non-executive Directors, namely Dr. Loke Yu, Mr. Heng Ja Wei and Mr. Ho Man, which has been established to advise the Independent Shareholders as to the Continuing Connected Transactions Agreements
“Independent Shareholder(s)”	Shareholders who are not interested in and are entitled to vote on the resolutions in relation to the Continuing Connected Transactions Agreements and the transactions contemplated thereunder at the EGM

DEFINITIONS

“Independent Third Party(ies)”	any person(s) or company(s) and their respective ultimate beneficial owner(s), to the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, are third party(ies) independent of and not connected with any director, chief executive or substantial shareholders or management shareholders of the Company or its subsidiaries or any of their respective associates
“Latest Practicable Date”	12 November 2018, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Master Installation Service Agreement”	the master agreement dated 20 September 2018 and entered into between the Company and CIMC in relation to the provision of installation service for baggage, materials and warehouse handling systems by the CIMC Group to the Group for a term commencing from the date on which the Master Installation Service Agreement becoming unconditional and ending on 31 December 2020
“Master Sale and Purchase Agreement”	the master agreement dated 20 September 2018 (as amended and supplemented by the Supplemental Master Sale and Purchase Agreement) and entered into between the Company and CIMC in relation to the sale of fire engines, firefighting equipment and baggage, materials and warehouse handling systems and equipment, aircraft catering truck and such ancillary parts by the Group to the CIMC Group for a term commencing from the date on which the Master Sale and Purchase Agreement becoming unconditional and ending on 31 December 2020
“Master Sourcing Agreement”	the master agreement dated 20 September 2018 and entered into between the Company and CIMC in relation to the sale of spare parts, raw materials, computer hardware, chassis, high-end fire engines and firefighting equipment and/or provision of IT support services by the CIMC Group to the Group for a term commencing from the date on which the Master Sale and Purchase Agreement becoming unconditional and ending on 31 December 2020
“Master Transportation Service Agreement”	the master agreement dated 20 September 2018 and entered into between the Company and CIMC in relation to the provision of transportation service by the CIMC Group to the Group for a term commencing from the date on which the Master Transportation Service Agreement becoming unconditional and ending on 31 December 2020

DEFINITIONS

“PRC”	the People’s Republic of China, which for the purpose of this circular, shall exclude Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Pteris Group”	Pteris Global Limited, a company incorporated in Singapore with limited liability and a direct non-wholly owned subsidiary of the Company, and its subsidiaries
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) in the share capital of the Company
“Shareholder(s)”	holder(s) of issued Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Master Sale and Purchase Agreement”	the supplemental agreement to the Master Sale and Purchase agreement dated 19 October 2018 and entered into between the Company and CIMC to amend the product range of the Master Sale and Purchase Agreement to include the sale of aircraft catering truck and such ancillary parts by the Group to CIMC Group
“Ziegler”	Albert Ziegler GmbH, a limited liability company incorporated in Germany which is an indirect non-wholly-owned subsidiary of CIMC and an associated company of the Group to which the Group holds 40% of its equity interests
“%”	per cent

For the purposes of this circular, the exchange rate RMB1.00 = HK\$1.15 has been used for currency translation, where applicable. Such exchange rate is for illustration purposes only and does not constitute representations that any amount in RMB or HK\$ has been, could have been or may be converted at such rate, or at all.

* For identification purpose only

CIMC | TianDa

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

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 445)

Non-executive Directors:

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

Executive Directors:

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

Independent non-executive Directors:

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

Registered Office:

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

*Head office and principal place of
business in Hong Kong:*

Units A-B, 16th Floor
China Overseas Building
139 Hennessy Road
Wan Chai, Hong Kong

Principal place of business in the PRC:

No. 9, Fuyuan 2nd Rd
Fuyong, Baoan District
Shenzhen, PRC

15 November 2018

To the Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

Reference is made to the Announcements of the Company dated 20 September 2018 and 19 October 2018 respectively in relation to, among others, the entering into of the following Continuing Connected Transactions Agreements with CIMC Group:

- (i) the Master Sourcing Agreement;

LETTER FROM THE BOARD

- (ii) the Master Transportation Service Agreement;
- (iii) the Master Installation Service Agreement;
- (iv) the CIMC-Tianda Shenzhen Management Service Agreement;
- (v) the AZ Management Service Agreement; and
- (vi) the Master Sale and Purchase Agreement.

An Independent Board Committee has been established to advise the Independent Shareholders in respect of the terms of the Continuing Connected Transactions Agreements and their respective proposed caps. In this respect, China AF has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on each of the Continuing Connected Transactions Agreements.

The purpose of this circular is to provide you with, among other things, (i) information on the Continuing Connected Transactions Agreements and their respective proposed caps; (ii) to set out the advice from China AF, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the terms of the same; (iii) the recommendation from the Independent Board Committee; and (iv) to give notice of EGM.

CONTINUING CONNECTED TRANSACTIONS

On 20 September 2018, the Company entered into the Continuing Connected Transactions Agreements with CIMC. Details of each of the Continuing Connected Transactions Agreements are set out below:

(i) The Master Sourcing Agreement

Date: 20 September 2018

Parties: (i) CIMC, as provider;
(ii) the Company, as purchaser.

Subject matter: Sale of spare parts, raw materials, computer hardware, chassis, high-end fire engines and firefighting equipment and/or provision of IT support services by the CIMC Group to the Group.

The Group may purchase from third parties and the CIMC Group may sell to third parties such spare parts, raw materials, computer hardware, chassis, high-end fire engines and firefighting equipment and/or provision of IT support services.

LETTER FROM THE BOARD

Term: Subject to the approval of the Independent Shareholders, the term shall be commencing from the date on which the Master Sourcing Agreement becoming unconditional and ending on 31 December 2020.

Condition precedent: The Master Sourcing Agreement shall be conditional upon the Independent Shareholders' approval having been obtained.

Pricing basis: The relevant member(s) of the Group and the relevant member(s) of the CIMC Group will enter into separate contract(s) with respect to the individual transactions contemplated under the Master Sourcing Agreement in accordance with the principal terms set out therein.

The terms, including the payment terms, will be determined on a transaction-by-transaction basis, and on normal commercial terms, or on terms no less favourable to the Group than terms available from Independent Third Parties.

The price of the spare parts, raw materials, computer hardware, chassis, high-end fire engines and firefighting equipment and/or provision of IT support services contemplated under the Master Sourcing Agreement will be determined with reference to market price, being the price of the same type of spare parts, raw materials, computer hardware, chassis, high-end fire engines and firefighting equipment and/or provision of IT support services provided by Independent Third Parties to the Group or provided by the CIMC Group to the Independent Third Parties at or near the same area in the ordinary course of business and on normal commercial terms.

The Group selects potential suppliers by reference to a number of factors such as their operation scale, product/service quality, cost, delivery arrangement, range of products/services and technology capability. Upon receiving purchase requests from the technical department/information management department, the procurement department of the Group will compare the material price and/or service price offered by the approved suppliers. The head of procurement department of the Group is responsible for approving the purchase orders and the Group will enter into purchase contracts with approved suppliers upon approval. The sourcing process and policy for all suppliers (including connected persons and Independent Third Parties) are the same.

The high-end fire engines and firefighting equipment to be purchased by the Group from CIMC Group under the Master Sourcing Agreement are those with higher quality and advanced technologies, and include water pumps, airport trucks and aerial lifting trucks. As confirmed by CIMC, such fire engines and fire-fighting equipment are mainly imported from Europe.

LETTER FROM THE BOARD

Annual caps for the Master Sourcing Agreement

The proposed annual caps for the years ending 31 December 2018, 31 December 2019 and 31 December 2020 for the Master Sourcing Agreement are set out below:

Annual caps for the Master Sourcing Agreement for the years ending 31 December		
2018	2019	2020
<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
4,000	52,000	60,000

In arriving at the above annual caps for the Master Sourcing Agreement, the Directors have taken into account the factors including but not limited to, (a) the strategies of the procurement management of the Group in view of the overall business development; (b) the expected price increase in the materials supplied to the Group by CIMC Group in view of their rise in operation costs; (c) orders from customers specifically requesting products from CIMC Group in relation to an airport project in 2019; (d) the expected business growth of the Group; and (e) the historical figures of similar transactions between Pteris Group and CIMC Group before the Group's acquisition of the Pteris Group in April 2018.

Details of the calculations of the above annual caps for the Master Sourcing Agreement for the years ending 31 December 2018, 31 December 2019 and 31 December 2020 are set out below:

	2018	2019	2020
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Orders from customers requesting products from CIMC Group	–	9,000	–
Chassis (estimated based on the expected usage of chassis of CIMC Group)	–	14,000	17,000
Computer hardware and IT services (estimated based on the hardware replacement and acquisition plan and plan for applications development)	1,300	2,400	2,100
Other raw materials and spare parts	2,000	19,000	33,000

LETTER FROM THE BOARD

	2018	2019	2020
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Buffer for price increase in the materials supplied to the Group by CIMC Group, changes in exchange rates and quantity purchased	700	7,600	7,900
Total	4,000	52,000	60,000

Regarding the proposed annual cap for the year ending 31 December 2018, it comprises estimated amounts of supplies from the CIMC Group with reference to the actual transaction amounts of such supplies for the preceding year, plus a buffer of RMB0.7 million, being approximately 17.5% of such proposed annual cap.

Regarding the proposed annual cap for the year ending 31 December 2019, it mainly comprises (i) the expected purchases of approximately RMB23.0 million for fulfilling the indicated orders by the Group's customers who specifically require products of the CIMC Group, such as certain model of firefighting vehicle and chassis, of which approximately RMB9.0 million is already reflected in a signed contract between the Group and an external customer, in which firefighting vehicles produced by the CIMC Group are requested; (ii) estimated purchases of computer hardware and IT support services from the CIMC Group of approximately RMB2.4 million, which has been determined based on the Group's hardware replacement and acquisition plan and plan for applications development; (iii) the estimated purchases of other raw materials and spare parts from the CIMC Group of approximately RMB19.0 million, which represents the estimated amount of approximately RMB11.0 million of materials to be sourced for one of the subsidiaries of the Company (based on its business development plan) which engaged in baggage, materials and warehouse handling systems, and the remaining amount of approximately RMB8.0 million of such purchases for other subsidiaries of the Company; and (iv) a buffer of approximately RMB7.6 million for certain high unit prices items that are involved in the aforementioned purchases.

Regarding the proposed annual cap for the year ending 31 December 2020, it mainly comprises (i) the expected purchases of approximately RMB17.0 million for fulfilling the indicated orders by the Group's customers who specifically require products of the CIMC Group, such as chassis; (ii) estimated purchases of computer hardware and IT support services from the CIMC Group of approximately RMB2.1 million, which has been determined based on the Group's hardware replacement and acquisition plan and plan for applications development; (iii) the estimated purchases of other raw materials and spare parts from CIMC Group of approximately RMB33 million, which represents the estimated purchase amount of approximately RMB22.0 million for the one subsidiary of the Company which engaged in baggage, materials and warehouse handling systems, and the estimated purchase amount of approximately RMB11.0 million for other subsidiaries of the Company, such purchase amounts are based on the Group's expected business growth and expansion; and (iv) a buffer of approximately RMB7.9 million, which is close to the buffer of the preceding year.

LETTER FROM THE BOARD

In determining the growth in the proposed annual cap for the three years ending 31 December 2018, 2019 and 2020, the Group has estimated the increase in purchase of materials and equipment as a result of (i) the increase in orders indicated for fire engines that may use the chassis produced by CIMC Group from RMB14 million for 2019 to RMB17 million for 2020; (ii) the expected business growth of the Group with reference to the growth in revenue in recent years and the revenue growth of approximately 172% for the period ended 30 June 2018 as compared with the corresponding period in 2017; and (iii) the future development of the Group's baggage, materials and warehouse handling systems business, which has grown by approximately 98% in terms of revenue when comparing between the six months ended 30 June 2017 and 2018, by leveraging on the rapid development of e-commerce and the related express delivery industry and warehouse storage business.

In determining the growth in buffer included in the proposed annual cap for the years ending 31 December 2019 and 2020, the Group has estimated that the possible price increase in the materials and equipment supplied to the Group by CIMC Group, change in exchange rates and quantity purchased will be around 15% of the proposed annual cap and rounded to the nearest million. As the Master Sourcing Agreement involves the purchase of items with high unit prices like fire engines from Europe, a small quantity of additional purchases or exchange rate fluctuations is likely to result in the amount of actual purchases exceeding the proposed annual cap. As such, a comparatively larger buffer was set for the years ending 31 December 2019 and 2020 which allows the Group greater flexibility in selecting the most suitable suppliers. A smaller buffer amount was set for the year ending 31 December 2018 as less uncertainty is expected given that the Master Sourcing Agreement was entered into at a time approaching the last quarter of 2018.

It is the policy of the Group to source its materials, equipment and services required from the most reliable suppliers with the best quality and at the most favourable terms. The Group's procurement demand is expected to increase with the expected growth in business. To give the Group greater flexibility in selecting qualified suppliers, the proposed annual caps also increase year by year to accommodate the potential increase in procurement demand.

(ii) The Master Transportation Service Agreement

Date: 20 September 2018

Parties: (i) CIMC, as service provider;
(ii) the Company, as service user.

Subject matter: Provision of transportation service by the CIMC Group to the Group.

The Group may obtain from third parties and the CIMC Group may provide to third parties such transportation service.

LETTER FROM THE BOARD

Term: Subject to the approval of the Independent Shareholders, the term shall be commencing from the date on which the Master Transportation Service Agreement becoming unconditional and ending on 31 December 2020.

Condition precedent: The Master Transportation Service Agreement shall be conditional upon the Independent Shareholders' approval having been obtained.

Pricing basis: The relevant member(s) of the Group and the relevant member(s) of the CIMC Group will enter into separate contract(s) with respect to the individual transactions contemplated under the Master Transportation Service Agreement in accordance with the principal terms set out therein.

The terms, including the payment terms, will be determined on a transaction-by-transaction basis, and on normal commercial terms, or on terms no less favourable to the Group than terms available from Independent Third Parties.

The service fees for the provision of transportation service contemplated under the Master Transportation Service Agreement will be determined with reference to market price, being the price of the same type of transportation service provided by Independent Third Parties to the Group or provided by the CIMC Group to the Independent Third Parties at or near the same area in the ordinary course of business and on normal commercial terms.

The Group selects potential suppliers by reference to a number of factors such as their operation scale, service quality, cost, delivery arrangement, range of services and technology capability. Upon receiving requests from the project management department of the Group, the procurement department of the Group will compare the transportation service fee offered by the approved suppliers. The head of procurement department of the Group is responsible for approving the purchase orders and the Group will enter into transportation service contracts with approved suppliers upon approval. The sourcing process and policy for all suppliers (including connected persons and Independent Third Parties) are the same.

Under the Master Transportation Service Agreement, the transportation services to be provided by CIMC Group include road transportation and sea freight for carrying hardware components of passenger boarding bridges, baggage, materials and warehouse handling systems and related spare parts and equipment, from the factories to locations specified by the Group according to the instructions of its customers.

LETTER FROM THE BOARD

Annual caps for the Master Transportation Service Agreement

The proposed annual caps for the years ending 31 December 2018, 31 December 2019 and 31 December 2020 for the Master Transportation Service Agreement are set out below:

Annual caps for the Master Transportation Service Agreement for the years ending 31 December		
2018	2019	2020
<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
7,000	15,000	18,000

In arriving at the above annual caps for the Master Transportation Service Agreement, the Directors have taken into account the factors including but not limited to, (a) the strategies of the logistics management of the Group in view of the overall business development and the expected growth in the business of the passengers boarding bridges and the baggage, materials and warehouse handling systems during the period and the estimated percentage of services procured from CIMC Group; (b) the expected increase in orders of passengers boarding bridges from overseas markets and after considering CIMC Group's competitive advantage in sea freight; (c) the number of the relevant existing projects during the term of the Master Transportation Service Agreement; (d) the expected business growth of the Group; and (e) the historical figures of similar transactions between Pteris Group and CIMC Group before the Group's acquisition of the Pteris Group in April 2018.

Details of the calculations of the above annual caps for the Master Transportation Service Agreement for the years ending 31 December 2018, 31 December 2019 and 31 December 2020 are set out below:

	2018	2019	2020
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Transportation services	6,800	13,400	15,400
Buffer for possible increase in transportation costs (both unit costs and quantity)	200	1,600	2,600
Total	7,000	15,000	18,000

Regarding the proposed annual cap for the year ending 31 December 2018, it comprises (i) the expected amount of transportation services of approximately RMB6.8 million, which was determined with reference to the actual fee amount of approximately RMB6.0 million of the relevant service provided by the CIMC Group for the year ended 31 December 2017; and (ii) a buffer of approximately RMB0.2 million.

LETTER FROM THE BOARD

Regarding the proposed annual cap for the year ending 31 December 2019, it comprises (i) the expected amount of transportation services of approximately RMB13.4 million, which is based on the expected increase in overseas orders for passenger boarding bridges (“PBB”) having taking into account the expected overseas orders on the PBB projects in various overseas airports and the expected increase in usage of such transportation services provided by CIMC Group given the price advantages offered by CIMC Group in particular aspects, such as overseas marine transportation; and (ii) a buffer of approximately RMB1.6 million, which represents the expected changes in factors such as market prices and exchange rates.

Regarding the proposed annual cap for the year ending 31 December 2020, it comprises (i) the expected amount of transportation services of approximately RMB15.4 million, which is determined based on an expected increase of the aforementioned PBB orders, which is in line with the Group’s expected business growth and expansion and the expected increase in usage of such transportation services provided by CIMC Group given the price advantages offered by CIMC Group in particular aspects, such as overseas marine transportation; and (ii) a buffer of approximately RMB2.6 million, which is also proportional to the expected business growth.

In determining the growth in the proposed annual cap for three years ending 31 December 2018, 2019 and 2020, the Group has estimated the increase in transportation services required based on (i) the expected growth in PBB business with reference to the revenue growth in recent years and in particular, the increase in revenue of approximately 250% when comparing between the six months ended 30 June 2017 and 2018; (ii) the expected increase in overseas PBB projects in Asia, Europe and US at approximately 30% - 35% for the years ending 31 December 2019 and 2020, which require more marine transportations and will drive up the total transportation costs; and (iii) a larger proportion of transportation services expected to be required from CIMC Group as better prices are expected to be offered by CIMC Group due to the competitive advantages of CIMC Group in marine transportations.

In determining the growth in the buffer included in the proposed annual cap for the years ending 31 December 2019 and 2020, for the Group has estimated that the possible increase in transportation costs will be approximately 10-15% of the proposed annual cap and rounded to the nearest million. As crude oil price is an important factor in driving the change in costs of transportation, the volatile crude oil prices may lead to the fluctuations in transportation costs, especially for long distance transportation. A comparatively larger buffer was set for the year ending 31 December 2020 to allow Group more flexibility in selecting service providers as greater uncertainty in the costs of transportation is expected. On the other hand, a smaller buffer amount was set for the year ending 31 December 2018 as less uncertainty is expected given that the Master Transportation Agreement was entered into at a time approaching the last quarter of 2018.

LETTER FROM THE BOARD

It is the policy of the Group to source its services required from the most reliable suppliers with the best quality and at the most favourable terms. The Group's demand in transportation services is expected to increase with the expected growth in business. To give the Group greater flexibility in selecting qualified suppliers, the proposed annual caps also increase year by year to accommodate the potential increase in demand of transportation services.

(iii) The Master Installation Service Agreement

Date: 20 September 2018

Parties: (i) CIMC, as service provider;
(ii) the Company, as service user.

Subject matter: Provision of installation service for baggage, materials and warehouse handling systems by CIMC Group to the Group.

The Group may obtain from third parties and the CIMC Group may provide to third parties such installation service.

Term: Subject to the approval of the Independent Shareholders, the term shall be commencing from the date on which the Master Installation Service Agreement becoming unconditional and ending on 31 December 2020.

Condition precedent: The Master Installation Service Agreement shall be conditional upon the Independent Shareholders' approval having been obtained.

Pricing basis: The relevant member(s) of the Group and the relevant member(s) of the CIMC Group will enter into separate contract(s) with respect to the individual transactions contemplated under the Master Installation Service Agreement in accordance with the principal terms set out therein.

The terms, including the payment terms, will be determined on a transaction-by-transaction basis, and on normal commercial terms, or on terms no less favourable to the Group than terms available from Independent Third Parties.

LETTER FROM THE BOARD

The service fees for the provision of installation service contemplated under the Master Installation Service Agreement will be determined with reference to market price, being the price of the same type of installation service provided by Independent Third Parties to the Group or provided by the CIMC Group to the Independent Third Parties at or near the same area in the ordinary course of business and on normal commercial terms.

The Group selects potential suppliers by reference to a number of factors such as their operation scale, service quality, cost, delivery arrangement, range of services and technology capability. Upon receiving requests from the project management department or technical department of the Group, the procurement department of the Group will compare the installation service fee offered by the approved suppliers. The head of procurement department of the Group is responsible for approving the purchase orders and the Group will enter into installation service contracts with approved suppliers upon approval. The sourcing process and policy for all suppliers (including connected persons and Independent Third Parties) are the same.

Under the Master Installation Service Agreement, the installation services to be provided by CIMC Group are components and equipment installation for the baggage, materials and warehouse handling systems at locations specified by the Group according to the instructions of its customers.

Annual caps for the Master Installation Service Agreement

The proposed annual caps for the year ending 31 December 2018, 31 December 2019 and 31 December 2020 for the Master Installation Service Agreement are set out below:

Annual caps for the Master Installation Service Agreement for the years ending 31 December		
2018	2019	2020
<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
2,000	6,000	12,000

In arriving at the above annual caps for the Master Installation Service Agreement, the Directors have taken into account the factors including but not limited to, (a) the strategies of the resources management of the Group in view of the overall business development in baggage, materials and warehouse handling systems; (b) the expected development and business need of the Group and the number of the relevant existing projects during the term of the Master Installation Service Agreement; and (c) the expected business growth of the Group.

LETTER FROM THE BOARD

Details of the calculations of the above annual caps for the Master Installation Service Agreement for the years ending 31 December 2018, 31 December 2019 and 31 December 2020 are set out below:

	2018 <i>(RMB'000)</i>	2019 <i>(RMB'000)</i>	2020 <i>(RMB'000)</i>
Installation services	1,500	5,000	10,000
Buffer for possible increase in the price of materials and staff costs and scope of services required	500	1,000	2,000
Total	2,000	6,000	12,000

Regarding the proposed annual cap for the year ending 31 December 2018, it comprises (i) the expected amount of installation services of approximately RMB1.5 million, which is primarily determined with reference to the Group's business growth in terms of revenue for both the two years ended 31 December 2017 and the six months ended 30 June 2017 and 2018, respectively; and (ii) a buffer of approximately RMB0.5 million, which allows flexibility to the Group.

Regarding the proposed annual caps for both years ending 31 December 2019 and 2020 respectively, it comprises (i) the expected amount of installation services of approximately RMB5.0 million and RMB10.0 million for the years ending 31 December 2019 and 2020 respectively; and (ii) a buffer of approximately RMB1.0 million and RMB2.0 million for the years ending 31 December 2019 and 2020 respectively, which allows flexibility to the Group. Such sums are determined with reference to (a) the expected business growth for the baggage, materials and warehouse handling systems and hence its needs for the aforesaid services; and (b) as opposed to sourcing such materials on its own as the Group currently does, the Group's plan to engage the installation service providers, including the CIMC Group, to source the relevant materials to be used under such installation services in the future with a view to enhance efficiency, which will result in an increase of the Group's transaction amounts with the installation service providers (including the CIMC Group) in the future.

In determining the growth in the proposed annual cap for three years ending 31 December 2018, 2019 and 2020, the Group has taken into consideration (i) the expected business growth of the Group's baggage, materials and warehouse handling systems with reference to the growth in revenue in recent years and in particular, the increase in revenue of approximately 98% when comparing between the six months ended 30 June 2017 and 2018; (ii) the expected increase in projects for the baggage, materials and warehouse handling systems by leveraging on the rapid development of e-commerce and the related express delivery industry and warehouse storage business; (iii) the expected increase in service fee following the plan of the Group to engage the installation service providers to

LETTER FROM THE BOARD

source the installation materials to be used under such installation services, which are estimated to constitute 10% to 25% of the total installation service costs, as opposed to sourcing such materials on its own as the Group currently does; and (iv) the increase in the proportion of services estimated to be provided by CIMC Group from 5% for the year ending 31 December 2018 to 12.5% for the year ending 31 December 2020, with reference to the share of the total installation service costs of the largest five installation service providers of the Group for the year ended 31 December 2017 which ranged from 10.9% to 32.4%.

In determining the growth in the buffer included in the proposed annual cap for the years ending 31 December 2019 and 2020, given that there was no historical records of installation services acquired from CIMC Group, the buffer was set at a range comparable to that of the Master Sourcing Agreement and Master Transportation Agreement to allow the Group greater flexibility in handling future possible increase in price of materials and staff costs and scope of services required. The buffer included in the proposed annual cap for the years ending 31 December 2019 and 2020 in respect of the Master Installation Service Agreement represented 16.7% of proposed annual cap or 20% of the estimated installation services costs to CIMC Group, which is comparable to that of the Master Sourcing Agreement and Master Transportation Agreement. A smaller buffer amount was set for the year ending 31 December 2018 as it is not for a full year.

It is the policy of the Group to source its services required from the most reliable suppliers with the best quality and at the most favourable terms. The Group's demand in installation services is expected to increase with the expected growth in business. To give the Group greater flexibility in selecting qualified suppliers, the proposed annual caps also increase year by year to accommodate the potential increase in demand of installation services.

(iv) The CIMC-Tianda Shenzhen Management Service Agreement

Date: 20 September 2018

Parties: (i) the Company, as service provider;
(ii) CIMC-Tianda Shenzhen, as service user.

CIMC-Tianda Shenzhen Limited, being a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of CIMC, is a connected person of the Company.

Subject matter: Provision of management service in relation to the fire engines and firefighting equipment business, including but not limited to strategic management, financial management, marketing management and technical management, by the Group to CIMC-Tianda Shenzhen.

LETTER FROM THE BOARD

CIMC-Tianda Shenzhen may obtain from third parties and the Group may provide to third parties such management service.

- Term:** Subject to the approval of the Independent Shareholders, the term shall be commencing from the date on which the CIMC-Tianda Shenzhen Management Service Agreement becoming unconditional and ending on 31 December 2020.
- Condition precedent:** The CIMC-Tianda Shenzhen Management Service Agreement shall be conditional upon the Independent Shareholders' approval having been obtained.
- Fee:** Service fees are charged monthly based on the labour expenses at cost of the relevant employees of the Group, with reference to respective salaries level ranging from approximately RMB6,500 to approximately RMB42,000 and the discretionary bonus payable to the relevant employees, apportioned by the actual time spent on providing the relevant management services.

The Group determines the service fee with reference to a number of factors such as the level of service demand, cost of labour and scale of services. The Chief Executive Officer of the Group is responsible for approving the service fee and will review the service fee annually with reference to the above factors.

The Board considers that although the nature of management service itself is not in the ordinary course of business of the Group, the underlying strategic management, financial management, marketing management and technical management is conducted for the aspects of fire safety business, which are within the scope of daily operation of the Group. The provision of management service within such scope is, therefore, considered in the ordinary course of business of the Group. The service fee contemplated under the CIMC-Tianda Shenzhen Management Service Agreement is determined after arm's length negotiations with reference to the labour expenses at cost, being the salaries level of the relevant employees of the Group, apportioned by the actual time spent on providing the relevant management services. The Board considers that although the service fee is determined based on the labour expenses at cost of the relevant employees of the Group, having taking into account the factors set out in paragraph headed "Reasons for and Benefits of the entering into of the Continuing Connected Transaction Agreements", the Board is of the view that the pricing basis is fair and reasonable and in the interest of the Company and its shareholders as a whole.

LETTER FROM THE BOARD

Details of the management services

Strategic management service

To assist CIMC-Tianda Shenzhen in formulating business strategic plans and provide advice on future investments and business development in relation to the fire engines and firefighting equipment business.

Financial management service

To assist CIMC-Tianda Shenzhen in its financial reporting and budgeting planning in relation to the fire engines and firefighting equipment business.

Marketing management service

To assist CIMC-Tianda Shenzhen in participating various industry exhibitions and marketing activities and to advise on and assist in formulating market strategies in relation to the fire engines and firefighting equipment business.

Technical management service

To assist in the construction of product technology and R&D management system of CIMC-Tian Shenzhen in relation to the fire engines and firefighting equipment business, including but not limited to product standardisation, product modularisation and management of technical and R&D process, and to assist in the management and analysis of data from the product lifecycle management platform.

Annual caps for the CIMC-Tianda Shenzhen Management Service Agreement

The proposed annual caps for the years ending 31 December 2018, 31 December 2019 and 31 December 2020 for the CIMC-Tianda Shenzhen Management Service Agreement are set out below:

Annual caps for the CIMC-Tianda Shenzhen Management Service Agreement for the years ending 31 December

2018	2019	2020
<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
1,000	4,000	5,000

In arriving at the above annual caps for the CIMC-Tianda Shenzhen Management Service Agreement, the Directors have taken into account the factors including but not limited to, (a) the service demand of CIMC-Tianda Shenzhen with reference to their business development and the expected business expansion; and (b) the cost of labour of the Group with reference to the salaries level of relevant employees as reviewed and adjusted from time to time.

LETTER FROM THE BOARD

Details of the calculations of the above annual caps for the CIMC-Tianda Shenzhen Management Service Agreement for the years ending 31 December 2018, 31 December 2019 and 31 December 2020 are set out below:

	2018	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
CIMC-Tianda (Shenzhen) Management Services			
Average estimated % of working hours of the relevant employees to be spent on the management services	15%	15%	18%
Estimated annual total costs of labour of the relevant employees	26,700	26,700	27,800
Cost apportioned	1,000 (26,700x15%/4) (annual cap for 2018 was set on time basis i.e. 1/4 from Sep 2018)	4,000 (26,700x15%)	5,000 (27,800x18%)
Total	1,000	4,000	5,000

In respect of the service demand of CIMC-Tianda Shenzhen, with the expected business expansion, the demand and time spent on the provision of management services to CIMC-Tianda Shenzhen will increase correspondingly and therefore the management fee charged to them.

In respect of the labour expenses of the Group, as there is an expected increment in the cost of labour with reference to the annual salaries review, change in bonus amount and contributions to social insurance and housing funds, an upward adjustment is therefore reflected in the management fee.

(v) The AZ Management Service Agreement

Date: 20 September 2018

Parties:

- (i) the Company, as service provider;
- (ii) Albert Ziegler Beijing, as service user.

Albert Ziegler Beijing, being a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of CIMC, is a connected person of the Company.

LETTER FROM THE BOARD

Subject matter: Provision of management service in relation to the fire engines and firefighting equipment business, including but not limited to strategic management, financial management, marketing management and technical management, by the Group to Albert Ziegler Beijing.

Albert Ziegler Beijing may obtain from third parties and the Group may provide to third parties such management service.

Term: Subject to the approval of the Independent Shareholders, the term shall be commencing from the date on which the AZ Management Service Agreement becoming unconditional and ending on 31 December 2020.

Condition precedent: The AZ Management Service Agreement shall be conditional upon the Independent Shareholders' approval having been obtained.

Fee: Service fees are charged monthly based on the labour expenses at cost of the relevant employees of the Group, with reference to respective salaries level ranging from approximately RMB20,000 to approximately RMB38,000 and the discretionary bonus payable to the relevant employees, apportioned by the actual time spent on providing the relevant management services.

The Group determines the service fee with reference to a number of factors such as the level of service demand, cost of labour and scale of services. The Chief Executive Officer of the Group is responsible for approving the service fee and will review the service fee annually with reference to the above factors.

Although the subject matter are the same under the CIMC-Tianda Shenzhen Management Service Agreement and the AZ Management Service Agreement, the scope and extent of the management services varies between the two management service agreements. While Albert Ziegler Beijing is a sales office of Ziegler which currently requires more financial management and marketing management services but minimal strategic management and technical management services, CIMC-Tianda (Shenzhen), which is managing Ziegler and has just started the leasing business, requires all the strategic management, financial management, marketing management and technical management services to a greater extent. As a result, the number of staff involved and their rankings are different, leading to the difference in salaries level of the relevant employees providing the services under the two management service agreements.

LETTER FROM THE BOARD

The Board considers that although the nature of management service itself is not in the ordinary course of business of the Group, the underlying strategic management, financial management, marketing management and technical management is conducted for the aspects of fire safety business, which are within the scope of daily operation of the Group. The provision of management service within such scope is, therefore, considered in the ordinary course of business of the Group. The service fee contemplated under the AZ Management Service Agreement is determined after arm's length negotiations with reference to the labour expenses at cost, being the salaries level of the relevant employees of the Group, apportioned by the actual time spent on providing the relevant management services. The Board considers that although the service fee is determined based on the labour expenses at cost of the relevant employees of the Group, having taking into account the factors set out in the paragraph headed "Reasons for and Benefits of the entering into of the continuing Connected Transaction Agreements", the Board is of the view that the pricing basis is fair and reasonable and in the interest of the Company and its shareholders as a whole.

Details of the management services

Strategic management service

To assist Albert Ziegler Beijing in formulating business strategic plans and provide advice on future investments and business development in relation to the fire engines and firefighting equipment business.

Financial management service

To assist Albert Ziegler Beijing in its financial reporting and budgeting planning in relation to the fire engines and firefighting equipment business.

Marketing management service

To assist Albert Ziegler Beijing in participating various industry exhibitions and marketing activities and to advise on and assist in formulating market strategies in relation to the fire engines and firefighting equipment business.

Technical management service

To assist in the construction of product technology and R&D management system of Albert Ziegler Beijing in relation to the fire engines and firefighting equipment business, including but not limited to product standardisation, product modularisation and management of technical and R&D process, and to assist in the management and analysis of data from the product lifecycle management platform.

LETTER FROM THE BOARD

Annual caps for the AZ Management Service Agreement

The proposed annual caps for the years ending 31 December 2018, 31 December 2019 and 31 December 2020 for the AZ Shenzhen Management Service Agreement are set out below:

Annual caps for the AZ Management Service Agreement for the years ending 31 December		
2018	2019	2020
<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
450	1,800	2,000

In arriving at the above annual caps for the AZ Management Service Agreement, the Directors have taken into account the factors including but not limited to, (a) the service demand of Albert Ziegler Beijing with reference to its business development and the expected business expansion; and (b) the cost of labour of the Group with reference to the salaries level of relevant employees as reviewed and adjusted from time to time.

Details of the calculations of the above annual caps for the AZ Management Service Agreement for the years ending 31 December 2018, 31 December 2019 and 31 December 2020 are set out below:

	2018	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
AZ Management Services			
Average estimated % of working hours of the relevant employees spent on the management services	90%	90%	90%
Estimated annual total costs of labour of the relevant employees	2,000	2,000	2,220
Cost apportioned	450 (2,000x90%/4) (annual cap for 2018 was set on time basis i.e. 1/4 from Sep 2018)	1,800 (2,000x90%)	2,000 (2,220x90%)
Total	450	1,800	2,000

LETTER FROM THE BOARD

In respect of the service demand of Albert Ziegler Beijing, with the expected business expansion, the demand and time spent on the provision of management services to Albert Ziegler Beijing will increase correspondingly and therefore the management fee charged to them.

In respect of the labour expenses of the Group, as there is an expected increment in the cost of labour with reference to the annual salaries review, change in bonus amount and contributions to social insurance and housing funds, an upward adjustment is therefore reflected in the management fee.

(vi) The Master Sale And Purchase Agreement

Date: 20 September 2018 (as supplemented by the Supplemental Master Sale and Purchase Agreement dated 19 October 2018)

Parties: (i) the Company, as seller;
(ii) CIMC, as purchaser.

Subject matter: Sale of fire engines, firefighting equipment and baggage, materials and warehouse handling system and equipment, aircraft catering truck and such ancillary parts which are mainly produced and manufactured by the Group to the CIMC Group.

The Group may sell such fire engines, firefighting equipment and baggage, materials and warehouse handling systems and equipment, and aircraft catering trucks and such ancillary parts to third parties.

Term: Subject to the approval of the Independent Shareholders, the term shall be commencing from the date on which the Master Sale and Purchase Agreement becoming unconditional and ending on 31 December 2020.

Condition precedent: The Master Sale and Purchase Agreement shall be conditional upon the Independent Shareholders' approval having been obtained.

Pricing basis: The relevant member(s) of the Group and the relevant member(s) of the CIMC Group will enter into separate contract(s) with respect to the individual transactions contemplated under the Master Sale and Purchase Agreement in accordance with the principal terms set out therein.

The terms, including the payment terms, will be determined on a transaction-by-transaction basis, and on normal commercial terms, or on terms no less favourable to the Group than terms available from Independent Third Parties.

LETTER FROM THE BOARD

The price of the fire engines, firefighting equipment and baggage, materials and warehouse handling systems and equipment, aircraft catering truck and such ancillary parts contemplated under the Master Sale and Purchase Agreement will be determined with reference to market price, being the price of the same type of fire engines, firefighting equipment, baggage, materials and warehouse handling systems and equipment and aircraft catering trucks and such ancillary parts provided by the Group to Independent Third Parties or provided by the Independent Third Parties to the CIMC Group at or near the same area in the ordinary course of business and on normal commercial terms.

The fire engines and firefighting equipment to be sold by the Group to CIMC Group under the Master Sale and Purchase Agreement are produced and manufactured domestically by the Group in the PRC.

Annual caps for the Master Sale and Purchase Agreement

The proposed annual caps for the years ending 31 December 2018, 31 December 2019 and 31 December 2020 for the Master Sale and Purchase Agreement are set out below:

Annual caps for the Master Sale and Purchase Agreement for the years ending 31 December		
2018	2019	2020
<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
90,000	150,000	190,000

In arriving at the above annual caps for the Master Sale and Purchase Agreement, the Directors have taken into account the factors including but not limited to the expected demand of the fire engines, firefighting equipment, baggage, materials and warehouse handling systems and equipment and aircraft catering trucks and such ancillary parts from the CIMC Group with reference to its business development and the expected business expansion during the term of the Master Sale and Purchase Agreement.

LETTER FROM THE BOARD

Details of the calculations of the above annual caps for the Master Sale and Purchase Agreement for the years ending 31 December 2018, 31 December 2019 and 31 December 2020 are set out below:

	2018 <i>(RMB'000)</i>	2019 <i>(RMB'000)</i>	2020 <i>(RMB'000)</i>
Fire engines and fire equipment	86,500	115,000	149,000
Aircraft catering trucks	–	20,000	21,000
Baggage, materials and warehouse handling systems and equipment	–	5,000	10,000
Buffer for possible price increase in the materials for the products supplied by the Group, changes in exchange rates and quantities sold	3,500	10,000	10,000
Total	90,000	150,000	190,000

Regarding the proposed annual caps for the three years ending 31 December 2020, over 85% was substantiated by expected orders indicated by the CIMC Group regarding fire fighting vehicle and equipment and aircraft catering trucks and such ancillary parts, and partly in view of the expected demand of the fire engines, firefighting equipment and baggage, materials and warehouse handling systems and equipment from the CIMC Group.

In determining the growth in the proposed annual cap for the three years ending 31 December 2018, 2019 and 2020, the Group has taken into consideration of (i) the increase in indicated orders for fire engines required for the leasing business of CIMC Group that estimated to grow at 35% - 40% for the years ending 31 December 2019 and 2020; and (ii) the increase in indicated orders for the aircraft catering trucks based on a moderate growth of 5%.

Buffers of RMB10 million were set for each of the years ending 31 December 2019 and 2020 for possible price increase in materials for products manufactured by the Group, fluctuations in exchange rates and changes in quantities sold. The buffer for the year ending 31 December 2018 was approximately one-third of RMB10 million as the Master Sales and Purchase Agreement was entered into in September 2018 and not for a full year of 2018.

As CIMC Group will start a new business line in respect of leasing of fire engines to fire brigades mainly in the PRC, the Group will be a potential supplier to them.

The proposed annual caps were based on the expected orders indicated by CIMC Group with reference to the estimated growth of their business, especially the leasing business.

LETTER FROM THE BOARD

REASONS FOR AND BENEFITS OF THE ENTERING INTO OF THE CONTINUING CONNECTED TRANSACTIONS AGREEMENTS

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.

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.

CIMC-Tianda Shenzhen is a company incorporated in the PRC with limited liability and is an indirect wholly-owned subsidiary of CIMC. CIMC-Tianda is principally engaged in the provision of consultancy services for corporate management, the development of airport facility equipment and the fire engines business which includes wholesale, retail sale, provision of agency services, provision of imports and exports related services and leasing of fire engines to fire brigades in the PRC. Besides, Albert Ziegler GmbH, a renowned fire engines manufacturer in Europe and a non-wholly-owned subsidiary of CIMC, is also under the management of CIMC-Tianda Shenzhen.

Albert Ziegler Beijing is a company incorporated in the PRC with limited liability and is an indirect non-wholly-owned subsidiary of CIMC. Albert Ziegler Beijing is principally engaged in the sale of fire engines and firefighting equipment and provision of related maintenance services.

The Continuing Connected Transactions Agreements are conducted in the ordinary course of and are essential to the operations of the business of the Group. The Board considers that each of the Continuing Connected Transactions Agreements will not have any disadvantages to the Group.

Regarding the transactions contemplated under the Master Sourcing Agreement, the Master Transportation Service Agreement and the Master Installation Service Agreement given that (i) they are in the ordinary and usual course of business of the Group and will facilitate the smooth operation of the Group's business by providing a stable, reliable and diversified source of supply of materials and services necessary for its operation on normal commercial terms; and (ii) the terms were determined with reference to the market prices, being the price of the products and/or services provided by Independent Third Parties to the Group or provided by CIMC Group to the Independent Third Parties at or near the same area in the ordinary course of business and on normal commercial terms, the Directors (excluding the independent non-executive Directors whose view is set out in the "Letter from the Independent Board Committee" on page 33 of this circular after taking into account the advice from the Independent Financial Adviser and excluding Dr. Li Yin Hui, Mr. Zheng Zu Hua, Mr. Luan You Jun and Mr. Yu Yu Qun, who are Directors nominated by CIMC and had abstained from voting at the meeting of the Board due to conflict of interest) consider that (a) the Master Sourcing Agreement, the Master Transportation Service Agreement and the Master Installation Service Agreement were entered into in the ordinary and

LETTER FROM THE BOARD

usual course of business of the Group on normal commercial terms; and (b) the terms of the Master Sourcing Agreement, the Master Transportation Service Agreement and the Master Installation Service Agreement and their respective proposed annual caps are fair and reasonable and the entering into of the Master Sourcing Agreement, the Master Transportation Service Agreement and the Master Installation Service Agreement are in the interests of the Company and Shareholders as a whole.

Regarding the transactions contemplated under the CIMC-Tianda Shenzhen Management Service Agreement and the AZ Management Service Agreement, given that (i) although the nature of management service itself is not in the ordinary course of business of the Group, the underlying strategic management, financial management, marketing management and technical management is conducted for the aspects of fire safety business, which are within the scope of daily operation of the Group. The provision of management service within such scope is, therefore, considered in the ordinary course of business of the Group; (ii) the terms were determined after arm's length negotiations with reference to the labour expenses at cost, being the salaries level of the relevant employees of the Group, apportioned by the actual time spent on providing the relevant management services; (iii) the provision of such management services to CIMC-Tianda Shenzhen and Albert Ziegler Beijing brings synergies and mutual business and operational convenience to both the Group and the CIMC Group; (iv) through the provision of such management service to CIMC-Tianda Shenzhen and Albert Ziegler Beijing, their operations, products and services could fit into the strategies of the Group, which could enhance the overall branding coherence of the fire safety and firefighting business under the name the Group; and (v) as Ziegler, a world renowned fire engines manufacturer with over 100 years history in the industry, is under the management of CIMC-Tianda Shenzhen and forms a substantial part of its fire engines business, through the provision of management services to CIMC-Tianda Shenzhen, the Group's branding in the fire engines industry will be enhanced and strengthened, and at the same time the Group can obtain first-hand information of the European market through Ziegler's network, the Directors (excluding the independent non-executive Directors whose view is set out in the "Letter from the Independent Board Committee" on page 33 of this circular after taking into account the advice from the Independent Financial adviser and excluding Dr. Li Yin Hui, Mr. Zheng Zu Hua, Mr. Luan You Jun and Mr. Yu Yu Qun, who are Directors nominated by CIMC and had abstained from voting at the meeting of the Board due to conflict of interest) consider that the CIMC-Tianda Shenzhen Management Service Agreement and the AZ Management Service Agreement (a) were entered into in the ordinary and usual course of business of the Group on normal commercial terms; and (b) the terms of the CIMC-Tianda Shenzhen Management Service Agreement and the AZ Management Service Agreement and their respective proposed annual caps are fair and reasonable and the entering into of the CIMC-Tianda Shenzhen Management Service Agreement and the AZ Management Service Agreement are in the interests of the Company and Shareholders as a whole.

Regarding the transactions contemplated under the Master Sales and Purchase Agreement, given that (i) they are in the ordinary and usual course of business of the Group and will generate stable revenue by supplying products to the CIMC Group on normal commercial terms; and (ii) the terms were determined with reference to the market prices, being the price of the products provided by Independent Third Parties to the Group or provided by CIMC Group to the Independent Third Parties at or near the same area in the ordinary course of business and on normal commercial terms; and (iii) they allow the Group to have a wider customer base and thus, source of revenue and that the Group can be (a) a secured subcontractor of CIMC Group for fire engines and fire equipment and aircraft catering trucks in relation to its airport projects; and (b) a supplier of fire engines for CIMC Group's leasing business, the Directors

LETTER FROM THE BOARD

(excluding the independent non-executive Directors whose view is set out in the “Letter from the Independent Board Committee” on pages 33 to 34 of this circular after taking into account the advice from the Independent Financial Adviser and excluding Dr. Li Yin Hui, Mr. Zheng Zu Hua, Mr. Luan You Jun and Mr. Yu Yu Qun, who are Directors nominated by CIMC and had abstained from voting at the meeting of the Board due to conflict of interest) consider that the Master Sale and Purchase Agreement (a) was entered into in the ordinary and usual course of business of the Group on normal commercial terms; and (b) the terms of the Master Sale and Purchase Agreement and their respective proposed annual caps are fair and reasonable and the entering into the Master Sale and Purchase Agreement are in the interests of the Company and Shareholders as a whole.

Furthermore, the Directors (excluding the independent non-executive Directors whose view is set out in the “Letter from the Independent Board Committee” on pages 33 to 34 of this circular after taking into account the advice from the Independent Financial Adviser and excluding Dr. Li Yin Hui, Mr. Zheng Zu Hua, Mr. Luan You Jun and Mr. Yu Yu Qun, who are Directors nominated by CIMC and had abstained from voting at the meeting of the Board due to conflict of interest) also consider that the terms of the Continuing Connected Transactions Agreements are no less favourable to the Group than those of Independent Third Parties.

For the reasons set out above, the Directors (excluding the independent non-executive Directors whose view is set out in the “Letter from the Independent Board Committee” on pages 33 to 34 of this circular after taking into account the advice from the Independent Financial Adviser and excluding Dr. Li Yin Hui, Mr. Zheng Zu Hua, Mr. Luan You Jun and Mr. Yu Yu Qun, who are Directors nominated by CIMC and had abstained from voting at the meeting of the Board due to conflict of interest) take the view that the terms of the Continuing Connected Transactions Agreements and the transactions contemplated thereunder are in the ordinary and usual course of business of the Group; and are fair and reasonable and in the interests of the Company the Shareholders as a whole.

AGGREGATE PROPOSED ANNUAL CAPS

Given the similar nature of the transactions under, and the contracting parties to, the Master Sourcing Agreement, the Master Transportation Service Agreement and the Master Installation Service Agreement, the annual caps for the Master Sourcing Agreement, the Master Transportation Service Agreement and the Master Installation Service Agreement are aggregated for the compliance with the requirements under the Listing Rules. As such, the aggregate proposed annual caps for the Master Sourcing Agreement, the Master Transportation Service Agreement and the Master Installation Service Agreement for the years ending 31 December 2018, 31 December 2019 and 31 December 2020 are RMB13,000,000 (equivalent to approximately HK\$14,950,000), RMB73,000,000 (equivalent to approximately HK\$83,950,000) and RMB90,000,000 (equivalent to approximately HK\$103,500,000), respectively.

LETTER FROM THE BOARD

Given the similar nature of the transactions under the CIMC-Tianda Shenzhen Management Service Agreement, the AZ Management Service Agreement and the Master Sale and Purchase Agreement, the annual caps for the CIMC-Tianda Shenzhen Management Service Agreement, the AZ Management Service Agreement and the Master Sale and Purchase Agreement are aggregated for the compliance with the requirements under the Listing Rules. As such, the aggregate proposed annual caps for the CIMC-Tianda Shenzhen Management Service Agreement, the AZ Management Service Agreement and the Master Sale and Purchase Agreement for the years ending 31 December 2018, 31 December 2019 and 31 December 2020 are RMB91,450,000 (equivalent to approximately HK\$105,167,500), RMB155,800,000 (equivalent to approximately HK\$179,170,000) and RMB197,000,000 (equivalent to approximately HK\$226,550,000), respectively.

INTERNAL CONTROL MEASURES ON REVIEW OF ANNUAL CAPS

The Company has adopted internal control policies to monitor and ensure the pricing policies and annual caps of the continuing connected transactions are being complied:

- (1) the financial review committee, with the Group's Chief Executive Officer as chairman and the Group's Chief Financial Officer as executive deputy chairman, will be responsible for managing all affairs relating to connected transactions and to guide, supervise and check the management of the connected transactions by the departments;
- (2) the Group's finance departments are responsible for computing and consolidating the transactions amounts of continuing connected transactions of departments on a monthly basis and to make timely report to the financial review committee when there exists a possibility that any annual cap may be exceeded; and
- (3) the financial review committee convenes meetings at least once every half year to review the connected transactions entered into by the Group to ensure the transactions did not violate the relevant basis of price determination and did not exceed the annual caps. In the event that there is any report from the Group's finance departments that such amounts of transaction are estimated to exceed the relevant annual caps, the financial review committee will be notified so that the scale of transactions in the future may be re-estimated and arrangements may be made to issue announcements and/or to obtain the relevant approvals from the Board and the Independent Shareholders in accordance with the requirements of the Listing Rules.

LISTING RULES IMPLICATIONS

As at the date of this circular, CIMC indirectly holds approximately 51.1% of the issued share capital of the Company and is the controlling shareholder of the Company, and is therefore a connected person of the Company. As such, the transactions contemplated under the Continuing Connected Transactions Agreements constitute continuing connected transactions on the part of the Company under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

As at the date of this announcement, CIMC-Tianda Holdings (Shenzhen) Limited is an indirect wholly-owned subsidiary of CIMC, and is therefore a connected person of the Company. As such, the transactions contemplated under the CIMC-Tianda Shenzhen Management Service Agreement constitute a continuing connected transaction on the part of the Company under Chapter 14A of the Listing Rules.

As at the date of this announcement, Albert Ziegler Beijing Ltd. is an indirect non-wholly-owned subsidiary of CIMC, and is therefore a connected person of the Company. As such, the transactions contemplated under the AZ Management Service Agreement constitute a continuing connected transaction on the part of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined under the Listing Rules) for the transactions contemplated under the Master Sourcing Agreement, the Master Transportation Service Agreement and the Master Installation Service Agreement, when aggregated, is more than 5% and the annual consideration, when aggregated, is expected to be more than HK\$10,000,000, the entering into of the Master Sourcing Agreement, the Master Transportation Service Agreement and the Master Installation Service Agreement are subject to the reporting, announcement, annual review, circular (including independent financial advice) and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined under the Listing Rules) for the transactions contemplated under the CIMC-Tianda Shenzhen Management Service Agreement, the AZ Management Service Agreement and the Master Sale and Purchase Agreement, when aggregated, is more than 5% and the annual consideration, when aggregated, is expected to be more than HK\$10,000,000, the entering into of the CIMC-Tianda Shenzhen Management Service Agreement, the AZ Management Service Agreement and the Master Sale and Purchase Agreement are subject to the reporting, announcement, annual review, circular (including independent financial advice) and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

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 in relation to the terms of the Continuing Connected Transactions Agreements, including the respective proposed annual caps and the transactions contemplated thereunder. The letter from the Independent Board Committee is set out on pages 33 to 34 of this circular.

China AF has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Continuing Connected Transactions Agreements, including the respective proposed annual caps and the transactions contemplated thereunder are fair and reasonable, and make recommendation on voting. Your attention is drawn to the advice of China AF to the Independent Board Committee and the Independent Shareholders as set out in the letter on pages 35 to 61 of this circular.

LETTER FROM THE BOARD

EGM

A notice convening the EGM to be held at Empire Room I, 1/F, Empire Hotel Hong Kong - Wanchai, 33 Hennessy Road, Wan Chai, Hong Kong on 5 December 2018 (Wednesday) at 3:00 p.m. is set out on pages 72 to 76 of this circular. At the EGM, resolutions will be proposed to approve the Continuing Connected Transactions Agreements and their respective proposed caps. Any connected person, and any Shareholder with a material interest in the transaction and its associates, will not vote. As such, CIMC and its associates (including each of Dr. Li Yin Hui, Mr. Zheng Zu Hua, Mr. Luan You Jun and Mr. Yu Yu Qun, who are connected directors of CIMC) shall abstain from voting on the resolutions approving the Continuing Connected Transactions Agreements and their respective proposed caps. Pursuant to Rule 13.39(4) of the Listing Rules, all the above resolutions shall be taken by poll at the EGM.

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 the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited of 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later 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 adjournment thereof should you so wish.

RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on page 33 of this circular which contains its recommendation to the Independent Shareholders on transactions under the Continuing Connected Transactions Agreements. Your attention is also drawn to the letter of advice from China AF as set out on pages 35 to 61 of this circular which contains, amongst other matters, its advice to the Independent Board Committee and the Independent Shareholders in relation to the Continuing Connected Transactions Agreements and the transactions contemplated thereunder. Based on the advice from the Independent Financial Adviser and the Independent Board Committee, the Board is of the view that the transactions contemplated under the Continuing Connected Transactions Agreements will be conducted on normal commercial terms (or better to the Group) and in the ordinary and usual course of business of the Group and that the terms of the Continuing Connected Transactions Agreements and their respective proposed caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole and recommends the Shareholders to vote in favour of the relevant resolution(s) approving the Continuing Connected Transactions Agreements and the proposed caps at the EGM.

FURTHER INFORMATION

Your attention is drawn to the information set out in the appendix to this circular.

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

CIMC | TianDa
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)

15 November 2018

To the Independent Shareholders

Dear Sir or Madam

CONTINUING CONNECTED TRANSACTIONS

AND

NOTICE OF SPECIAL GENERAL MEETING

We refer to the circular of the Company to the Shareholders dated 15 November 2018 (the “**Circular**”), in which this letter forms part. Unless the context requires otherwise, capitalized terms used in this letter will have the same meanings as defined in the Circular unless the context otherwise requires.

In compliance with the Listing Rules, we have been appointed to advise the Independent Shareholders in relation to the terms of the Continuing Connected Transactions Agreements and their respective proposed caps. In this connection, China AF has been appointed as the independent financial adviser to advise on these matters.

We wish to draw your attention to the letter of advice from China AF as the Independent Financial Adviser as set out on pages 35 to 61 of the Circular and the letter from the Board as set out on pages 5 to 32 of the Circular and the additional information set out in the appendix thereto.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

We, having considered the terms of the Continuing Connected Transactions Agreements and their respective proposed caps and having taken into account the principal factors and reasons considered by China AF as stated in its letter of advice, consider that the terms of the Continuing Connected Transactions Agreements and their respective proposed caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM in relation to the Continuing Connected Transactions Agreements and their respective proposed caps, as detailed in the notice of EGM set out on pages 72 to 76 of the Circular.

Yours faithfully,

For and on behalf of the

Independent Board Committee

CIMC-TianDa Holdings Company Limited

Loke Yu

*Independent non-executive
Director*

Heng Ja Wei

*Independent non-executive
Director*

Ho Man

*Independent non-executive
Director*

LETTER FROM CHINA AF

The following is the letter of advice from 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
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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

15 November 2018

To the Independent Board Committee and the Independent Shareholders

Dear Sir/Madam,

CONTINUING CONNECTED TRANSACTIONS

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 terms of the (i) Master Sourcing Agreement; (ii) Master Transportation Service Agreement; (iii) Master Installation Service Agreement; (iv) CIMC-Tianda Shenzhen Management Service Agreement; (v) AZ Management Service Agreement; and (vi) Master Sale and Purchase Agreement (i.e. collectively, the Continuing Connected Transactions Agreements), and the proposed annual caps of the transactions contemplated under each of the Continuing Connected Transactions Agreements (collectively, the “**Transactions**”), details of which are set out in the letter from the board (the “**Letter from the Board**”) in the Company’s circular dated 15 November 2018 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

Reference is made to the Announcements in relation to, among others, the Transactions. On 20 September 2018, the Company entered into each of the Continuing Connected Transactions Agreements with the relevant member of the CIMC Group. Pursuant to (i) the Master Sourcing Agreement, the CIMC Group may sell and the Group may purchase spare parts, raw materials, computer hardware, chassis, high-end fire engines and firefighting equipment and the CIMC Group may provide and the Group may obtain IT support services; (ii) the Master Transportation Service Agreement, the CIMC Group may provide and the Group may obtain transportation service; (iii) the Master Installation Service Agreement, the CIMC Group may provide and the Group may obtain installation service for baggage, materials and warehouse handling systems; (iv) the CIMC-Tianda Shenzhen Management Service Agreement, the Group may provide and CIMC-Tianda Shenzhen may obtain management service in relation to the fire engines and firefighting equipment business, including but not limited to strategic management, financial management, marketing management and technical management; (v) the AZ Management Service Agreement, the Group may provide and Albert Ziegler Beijing may obtain management service in relation

LETTER FROM CHINA AF

to the fire engines and firefighting equipment business, including but not limited to strategic management, financial management, marketing management and technical management; and (vi) the Master Sale and Purchase Agreement, the Group may sell and the CIMC Group may purchase fire engines, firefighting equipment, baggage, materials and warehouse handling system and equipment, aircraft catering truck and such ancillary parts which are mainly produced and manufactured by the Group. The transactions under each of the Continuing Connected Transactions Agreements will be conducted on a non-exclusive basis, both the Group and the CIMC Group can obtain from or provide to (as the case may be) third parties the goods and services thereunder. The term of each of the Continuing Connected Transactions Agreements shall be commencing from the date on which it becomes unconditional, respectively, and ending on 31 December 2020.

As at the Latest Practicable Date, CIMC indirectly holds approximately 51.1% of the issued share capital of the Company and is the controlling shareholder of the Company, and is therefore a connected person of the Company. As such, the transactions contemplated under the Continuing Connected Transactions Agreements constitute continuing connected transactions on the part of the Company under Chapter 14A of the Listing Rules.

As at the Latest Practicable Date, CIMC-Tianda Shenzhen is an indirect wholly-owned subsidiary of CIMC, and is therefore a connected person of the Company. As such, the transactions contemplated under the CIMC-Tianda Shenzhen Management Service Agreement constitute a continuing connected transaction on the part of the Company under Chapter 14A of the Listing Rules.

As at the Latest Practicable Date, Albert Ziegler Beijing is an indirect non-wholly-owned subsidiary of CIMC, and is therefore a connected person of the Company. As such, the transactions contemplated under the AZ Management Service Agreement constitute a continuing connected transaction on the part of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined under the Listing Rules) for the transactions contemplated under the Master Sourcing Agreement, the Master Transportation Service Agreement and the Master Installation Service Agreement, when aggregated, is more than 5% and the annual consideration, when aggregated, is expected to be more than HK\$10,000,000, the entering into of the Master Sourcing Agreement, the Master Transportation Service Agreement and the Master Installation Service Agreement are subject to the reporting, announcement, annual review, circular (including independent financial advice) and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined under the Listing Rules) for the transactions contemplated under the CIMC-Tianda Shenzhen Management Service Agreement, the AZ Management Service Agreement and the Master Sale and Purchase Agreement, when aggregated, is more than 5% and the annual consideration, when aggregated, is expected to be more than HK\$10,000,000, the entering into of the CIMC-Tianda Shenzhen Management Service Agreement, the AZ Management Service Agreement and the Master Sale and Purchase Agreement are subject to the reporting, announcement, annual review, circular (including independent financial advice) and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

LETTER FROM CHINA AF

OUR INDEPENDENCE

Save for this appointment as the Independent Financial Adviser, and the appointment as the independent financial adviser to the independent board committee and independent shareholders of the Company in respect of the major and connected transactions (“**Major and Connected Transactions**”) as announced by the Company on 20 July 2018 and 28 August 2018, respectively, we did not have any relationships or interests with the Company or any other parties that could reasonably be regarded as hindrance to the independence of us to act as the Independent Financial Adviser. Apart from the normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser and the aforementioned appointment as the independent financial adviser to the independent board committee and independent shareholders of the Company in respect of the Major and Connected Transactions, no arrangement exists whereby we will receive any fees or benefit from the Company, its subsidiaries, its associates or their respective substantial Shareholders or associates or any other parties to the Continuing Connected Transactions Agreements. Accordingly, we consider that we are eligible to give independent advice on the Transactions.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have generally obtained, reviewed and considered, amongst other things, (i) the annual reports of the Company for the year ended 31 December 2016 and 2017 (the “**Annual Report 2016**” and “**Annual Report 2017**”, respectively); (ii) the interim report of the Company for the six months ended 30 June 2018 (the “**Interim Report 2018**”); (iii) the Continuing Connected Transactions Agreements; (iv) other internal documents of the Company relevant to the Transactions, including but not limited to samples of comparable independent third party agreements, samples of walkthrough documents in respect of the Group’s daily operation, sale and purchase, manuals of internal procedures and control policies of the Group in respect of purchase, subcontracting and supplier management, and the Company’s calculation or estimation basis of the proposed annual caps under each of the Continuing Connected Transactions Agreements; (v) other information as set out in the Circular; and (vi) relevant market data and information available from public sources. Some of the aforesaid information, opinions and facts have been supplied and representations made to us by the Directors and the representatives of the Company. Apart from reviewing and assessing such information, opinions and facts, we have also conducted phone interview with the Company from time to time to gain better understandings on and ensure completeness of such information, opinions and facts. During the whole review process, we are not aware of any reason which may lead us to believe any of such information, opinions and facts is not true or omits a material fact, hence we have assumed that the information, opinions and facts supplied, and representations made to us by the management of the Group were true, accurate and complete at the time they were made and continue to be true, accurate and complete in all material aspects until the date of this Circular. We have also assumed that all statements of belief, opinions, expectation and intention made by the management of the Company in this Circular were reasonably made after due enquiry and careful consideration. 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 this Circular, or the reasonableness of the opinions expressed by the Company, its management and/or advisers, which have been provided to us.

LETTER FROM CHINA AF

We have no reason to doubt the truth or accuracy of the information provided to us or to believe that any material information has been omitted or withheld. We have relied on such information and consider that the information we have received is sufficient for us to reach our advice and recommendation as set out in this letter and to justify our reliance on such information. However, we have not carried out any independent verification of the information provided by the Directors and/or the management of the Company nor have we conducted any independent investigation into the business, financial conditions and affairs of the Company or the prospects of the markets in which the Company operates. As the Independent Financial Adviser, we take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

Where information in this letter of advice has been extracted from published or otherwise publicly available sources, we have ensured 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 such information.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion in respect of the Continuing Connected Transactions Agreements and the proposed annual caps thereunder, we have taken into account the following principal factors and reasons:

1. Background and reasons for entering into the Continuing Connected Transactions Agreements

1.1 Information of the Company

The Company is an investment holding company incorporated in the Cayman Islands as an exempted company with limited liability, the Shares of which have been listed on the Main Board of the Stock Exchange since 30 September 2002. The Group is principally engaged in the production and sale of the fire engines, the production and sale of fire prevention and fighting equipment. On 23 April 2018, the Company completed the acquisition of Pteris Global Limited (the “**Pteris Acquisition**”). The Group 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 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 which comprises systems for sorting, handling and transportation of different types of baggage, cargo and goods and materials.

LETTER FROM CHINA AF

The Pteris Acquisition has been considered a reverse acquisition in accordance with Hong Kong Financial Reporting Standard (“HKFRS”) 3 “*Business Combinations*”. Pteris Global Limited, 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. Accordingly, the following discussion and analysis of the Group’s financial information for the six months ended 30 June 2018 focuses on the new businesses to correspond with the consolidated financial statements for the same period, and the financial figures for the six months ended 30 June 2017, which were for comparative purpose, represented those of Pteris Global Limited.

Set out below is selected information of the consolidated statement of financial position of the Group as at (i) 31 December 2016 and 31 December 2017 as extracted from the Annual Report 2017; and (ii) 31 December 2017 and 30 June 2018 as extracted from the Interim Report 2018 (where the reverse acquisition accounting required under the Pteris Acquisition has been taken into effect):

	As extracted from the Interim Report 2018 (<i>Note</i>)		As extracted from the Annual Report 2017	
	As at 30 June 2018 <i>(unaudited)</i> <i>RMB'000</i>	As at 31 December 2017 <i>(unaudited)</i> <i>RMB'000</i>	As at 31 December 2017 <i>(audited)</i> <i>RMB'000</i>	2016 <i>(audited)</i> <i>RMB'000</i>
Current assets	3,091,041	1,994,163	654,008	568,127
Current liabilities	2,058,486	1,555,501	331,117	257,660

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

As set out in the Interim Report 2018, as at 30 June 2018, the current assets and current liabilities of the Group amounted to approximately RMB3,091.0 million and RMB2,058.5 million, respectively, representing increases of approximately 55.0% and 32.3% when comparing to the corresponding figures as at 31 December 2017. The current ratio of the Group was approximately 1.5 times as at 30 June 2018, which represented a slight increase when comparing to that of approximately 1.3 times as at 31 December 2017. The increase in the Group’s current ratio was mainly due to the enlargement of its assets following the completion of the Pteris Acquisition. The Group’s gearing ratio, which was calculated as interest bearing debt divided by total equity, increased from approximately 7.7% as at 31 December 2017 to approximately 8.7% as at 30 June 2018. The increase in the Group’s gearing ratio was due to the loans borrowed during the six months ended 30 June 2018 and the issuance of convertible bonds to settle part of the consideration for the Pteris Acquisition and acquisition of 30% equity interests in Shenzhen CIMC-TianDa Airport Support Ltd.

LETTER FROM CHINA AF

Set out below is selected information of the Group's consolidated statement of profit or loss and other comprehensive income for (i) each of the two years ended 31 December 2017 as extracted from the Annual Report 2017; and (ii) the six months ended 30 June 2017 and 2018, 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		For the year	
	ended 30 June (Note)		ended 31 December	
	2018	2017	2017	2016
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(audited)</i>	<i>(audited)</i>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Total revenue (external sales only)	991,904	364,789	528,555	471,252
– Fire engines and fire prevention and fighting equipment	142,797	–	528,555	471,252
– Passenger boarding bridge, ground support equipment and automated parking system	561,010	219,771	–	–
– Logistic system business	287,297	145,018	–	–
Profit/(Loss) before tax	74,792	(18,379)	28,903	24,872
Profit/(Loss) for the period	64,151	(16,796)	17,752	17,286
Profit/(Loss) for the period 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.

Revenue of the Group increased from approximately RMB364.8 million to RMB991.9 million for the six months ended 30 June 2017 and 2018, respectively, representing an increase of approximately 171.9%. As a result of such increase in revenue which was partially offset by the increase in cost of sales and services, selling and distribution costs and administrative expenses, the Group reported a net profit of approximately RMB64.2 million for the six months ended 30 June 2018, being a turnaround from the net loss of approximately RMB16.8 million for the corresponding period in year 2017.

According to the Interim Report 2018, the period-on-period rise in the Group's revenue was mainly driven by (i) the PBB business where a change in the accounting policies at the time the new HKFRS 15 became applicable on 1 January 2018 has advanced revenue recognition for the part of sale of goods under PBB contracts which would have been deferred until completion of installation had the accounting policies not been changed. The Group has also strengthened communication with customers to enhance and speed up the inspection and acceptance procedures such that more PBB contracts were completed, including both delivery of goods and installation, during the six months ended 30 June 2018, which also resulted in more revenue recognised for the period; and (ii) the logistic system business where geographical expansion and satisfactory progress of projects at work have taken place and increased number of contracts has been delivered.

LETTER FROM CHINA AF

On the other hand, to speed up the development of the fire engines and fire prevention and fighting 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. If the reverse acquisition accounting required under the Pteris Acquisition had not been taken into effect, revenue derived from this segment for the six months ended 30 June 2018 would have grown by 2.2% as compared to the corresponding period in year 2017.

1.2 Information of CIMC, CIMC-Tianda Shenzhen and Albert Ziegler Beijing

CIMC is a joint stock company incorporated 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 (stock code: 2039). 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.

Each of CIMC-Tianda Shenzhen and Albert Ziegler Beijing is a company incorporated in the PRC with limited liability. CIMC-Tianda Shenzhen is an indirect wholly-owned subsidiary of CIMC and is principally engaged in the provision of consultancy services for corporate management, the development of airport facility equipment and the fire engines business which includes wholesale, retail sale, provision of agency services, provision of imports and exports related services and leasing of fire engines to fire brigades in the PRC. Albert Ziegler Beijing is an indirect non-wholly-owned subsidiary of CIMC and is principally engaged in the sale of fire engines and firefighting equipment and the provision of related maintenance services.

1.3 Reasons for entering into each of the Continuing Connected Transactions Agreements.

As set out in the Letter from the Board, the Continuing Connected Transactions Agreements are conducted in the ordinary course of and are essential to the operations of the business of the Group. Regarding the transactions contemplated under the Master Sourcing Agreement, the Master Transportation Service Agreement and the Master Installation Service Agreement, the Directors are generally of the view that they will facilitate the smooth operation of the Group's business by providing a stable, reliable and diversified source of supply of materials and services necessary for its operation on normal commercial terms. Regarding the transactions contemplated under the CIMC-Tianda Shenzhen Management Service Agreement and the AZ Management Service Agreement, the Directors are generally of the view that they are conducted in the ordinary and usual course of business of the Group on normal commercial terms. Regarding the transactions contemplated under the Master Sale and Purchase Agreement, the Directors are generally of the view that they will generate stable revenue by supplying products to the CIMC Group on normal commercial terms and allow the Group to have a wider customer base. Overall, the Directors consider that the entering into of each of the Continuing Connected Transactions Agreements is in the interests of the Company and the Shareholders as a whole.

In relation to the aforesaid view of the Directors, we have conducted the following analysis.

LETTER FROM CHINA AF

The Master Sourcing Agreement, Master Transportation Service Agreement and Master Installation Service Agreement

Considering that the provision of PPB system, ground support equipment, automated parking system, logistic system and fire engines and firefighting equipment is a major revenue contributor of the Group, we agree that it is the ordinary course of business of the Group. In addition, the Group has been able to expand such business in terms of revenue when comparing between the six months ended 30 June 2017 and 2018, respectively, and according to the Interim Report 2018, the Group is dedicated to the continuous development of new products such as the launch of the smart bridge system and visual docking guidance system in the last quarter of year 2017, the expected commercialisation of the mechanical smart bus parking garage in the second half of year 2018, and the expected launch of a new generation of sorter that was designed to convey and sort difficult-to-handle items with market-leading speed by the end of year 2018. Based on the above, we are of the view that the Group has been able to grow its business and capture development opportunities, and we have no reason to doubt the Group's ability to continue to do so. Hence, we consider that it would be in the interest of the Company and the Shareholders as a whole for the Group to keep on developing this business.

We have then reviewed the subject matter under each of the Master Sourcing Agreement, Master Transportation Service Agreement and Master Installation Service Agreement. We note that the transactions contemplated under the Master Sourcing Agreement are the sale of spare parts, raw materials, computer hardware, chassis, high-end fire engines and firefighting equipment (both imported mainly from Europe) and the provision of IT support services by the CIMC Group to the Group. In this regard, we have enquired with the Company and are advised that (i) spare parts and raw materials are generally those to be used during the Group's manufacturing process, such as steels and chemical materials; (ii) computer hardware is generally used for operational and administrative purposes within the Group's daily operation; (iii) chassis, high-end fire engines and firefighting equipment are generally to be installed onto the fire engines manufactured by the Group and are usually specified by the customers; and (iv) IT support services are generally used for the development of the Group's internal application systems. As the purchase of supplies and obtaining of IT support services contemplated under the Master Sourcing Agreement are carried out for the Group's products, systems and daily operations, we consider that they are conducted in the ordinary course of business of the Group.

Regarding the Master Transportation Service Agreement and Master Installation Service Agreement, we have also enquired with the Company and are advised that the transportation and installation services thereunder are used for the Group's PBB system and baggage, materials and warehouse handling system. In particular, under the respective agreement, components and equipment parts of the aforesaid systems will be transported to locations designated by the customers and installed by the CIMC Group according to specifications from the relevant departments within the Group, such as technical, project management and engineering department. As such, we consider that the transactions contemplated under each of the Master Transportation Service Agreement and Master Installation Service Agreement are also conducted in the ordinary course of business of the Group.

LETTER FROM CHINA AF

We have further noted that the CIMC Group possesses experience in, among other areas, container manufacturing, road transportation vehicle business, offshore engineering business, airport facilities equipment business and fire safety business, which we consider relevant to the provision of the supplies and services under each of the Master Sourcing Agreement, Master Transportation Service Agreement and Master Installation Service Agreement. As such, we concur with the Directors that the CIMC Group is able to provide a stable and reliable source of supply of materials and services to the Group for the purpose of daily operations.

Having considered that (i) the manufacturing and sale of PPB system, ground support equipment, automated parking system, logistic system and fire engines and firefighting equipment are the ordinary course of business of the Group; (ii) it would be in the interest of the Company and the Shareholders as a whole for the Group to keep on developing this business; (iii) the transactions contemplated under each of the Master Sourcing Agreement, Master Transportation Service Agreement and Master Installation Service Agreement are carried out for the Group's products, systems and daily operations and hence are in the ordinary course of its business; and (iv) the CIMC Group possesses relevant experience in providing the aforesaid supplies and services, we consider that the entering into of each of the Master Sourcing Agreement, Master Transportation Service Agreement and Master Installation Service Agreement is in the ordinary course of the Group's business and reasonable.

The CIMC-Tianda Shenzhen Management Service Agreement, AZ Management Service Agreement and Master Sale and Purchase Agreement

Under the CIMC-Tianda Shenzhen Management Service Agreement and AZ Management Service Agreement, the Group provides management service including but not limited to strategic management, financial management, marketing management and technical management to CIMC-Tianda Shenzhen and Albert Ziegler Beijing, respectively. We have enquired with the Company and further understand that the aforesaid (i) strategic management can be summarised as assisting in formulating business strategic plans and provide advice on future investments and business development in relation to the fire engines and firefighting equipment business, such as providing strategical advices on the infiltration into and expansion of various fire safety markets as well as directions of product development; (ii) financial management represents assistance in financial reporting and budgeting planning in relation to the fire engines and firefighting equipment business which will align with overall business and expansion strategy; (iii) marketing management is mainly to assist in participating various industry exhibitions and marketing activities and to advise on and assist in formulating market strategies in relation to the fire engines and firefighting equipment business, such as conducting marketing campaigns and setting up corporate websites and public media platform to facilitate sales and brand expansion; and (iv) technical management will apply to various technical areas concerning product technology and research and development management system in relation to the fire engines and firefighting equipment business, such as product standardisation, product modularisation, management of technical and research and development process, and assistance in the management and analysis of data from the product lifecycle

LETTER FROM CHINA AF

management platform. As set out in the Letter from the Board, however, although the subject matter are the same under the CIMC-Tianda Shenzhen Management Service Agreement and the AZ Management Service Agreement, the scope and extent of the management services varies between the two management service agreements. While Albert Ziegler Beijing is a sales office of Ziegler which currently requires more financial management and marketing management services but minimal strategic management and technical management services, CIMC-Tianda (Shenzhen), which is managing Ziegler and has just started the leasing business, requires all the strategic management, financial management, marketing management and technical management services to a greater extent.

We have conducted research in this regard and note that the Company has set up its own website, on which its various development strategies are set out and evidence of marketing events and campaigns can be found. We also cast no doubt that the Group possesses ample experiences in financial management and technical management given its significant scale of operations and long track records in fire safety business. Based on the above, we concur that the Group has sufficient experiences in respect of the strategic management, financial management, marketing management and technical management relating to fire safety business, which is in the ordinary course of its business. In this relation, we also understand from the Company that all relevant personnel involved in such management service possess academic background of tertiary education or above, have rich experiences in corporate, human resources and financial management, engineering, investment and merger and acquisitions, marketing promotion and/or customer relationship, and have served in the Group for a period of up to 30 years.

Although the Company has never provided the aforesaid management service to other parties, and that the nature of management service itself is not in the ordinary course of business of the Group, we consider that (i) the Company has sufficient experience on the underlying strategic management, financial management, marketing management and technical management which, as discussed in the previous paragraphs, are within the scope of daily operation of the Group; (ii) the relevant personnel involved in such management service possess necessary qualifications and experiences in delivering such management service; and (iii) thus the Company is capable to apply such experience on other parties in the form of management experience. As such, we still consider that the provision of management service within such scope is in the ordinary course of business of the Group.

We have also reviewed the subject matter under the Master Sale and Purchase Agreement, pursuant to which the Group may sell to the CIMC Group fire engines, firefighting equipment, baggage, materials and warehouse handling system and equipment, aircraft catering truck and such ancillary parts which are mainly produced and manufactured domestically by the Group in the PRC. As advised by the Company, the fire engines and firefighting equipment to be sold under the Master Sale and Purchase Agreement are technically less advanced when compared with the high-end fire engines and firefighting equipment to be purchased under the Master Sourcing Agreement, which are mainly imported from Europe. We have further enquired with the Company and understand that such difference between the two aforesaid agreements could be attributed to the different technical and specification requirements between the customers of the Group and the CIMC Group. In particular, where the customers of the CIMC Group only require technically less

LETTER FROM CHINA AF

advanced fire engines and firefighting equipment, the CIMC Group may thus only purchase the same from the Group under the Master Sale and Purchase Agreement. We are also advised by the Company and concur, based on our review on the Group's sources of revenue, that the sale of such equipment, special vehicles and systems is in the ordinary course of the Group's business. We consider that the sale of such equipment, special vehicles and systems to the CIMC Group could represent a stable revenue stream to the Group. As such, we are also of the view that the entering into of the Master Sale and Purchase Agreement is in the ordinary course of the Group's business and reasonable.

2. Principal terms of the Continuing Connected Transactions Agreements

It is also set out in the Letter from the Board that the Directors consider the terms of each of the Continuing Connected Transactions Agreements no less favourable to the Group than those offered to/by Independent Third Parties, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

We have reviewed all of the Continuing Connected Transactions Agreements, and the principal terms of each of them are tabulated below:

	The Master Sourcing Agreement	The Master Transportation Service Agreement	The Master Installation Service Agreement	The CIMC-Tianda Shenzhen Management Service Agreement	The AZ Management Service Agreement	The Master Sale and Purchase Agreement
Date:	20 September 2018					
Parties:	(i) CIMC, as provider (ii) the Company, as purchaser	(i) CIMC, as service provider (ii) the Company, as service user	(i) CIMC, as service provider (ii) the Company, as service user	(i) the Company, as service provider (ii) CIMC-Tianda Shenzhen, as service user	(i) the Company, as service provider (ii) Albert Ziegler Beijing, as service user	(i) the Company, as seller (ii) CIMC, as purchaser

LETTER FROM CHINA AF

	The Master Sourcing Agreement	The Master Transportation Service Agreement	The Master Installation Service Agreement	The CIMC-Tianda Shenzhen Management Service Agreement	The AZ Management Service Agreement	The Master Sale and Purchase Agreement
Subject matter:	Sale of spare parts, raw materials, computer hardware, chassis, high-end fire engines and firefighting equipment mainly imported from Europe and/or provision of IT support services by the CIMC Group to the Group.	Provision of transportation service by the CIMC Group to the Group.	Provision of installation service for baggage, materials and warehouse handling systems by the CIMC Group to the Group.	Provision of management service in relation to fire engines and firefighting equipment business, including but not limited to strategic management, financial management, marketing management and technical management, by the Group to CIMC-Tianda Shenzhen.	Provision of management service in relation to fire engines and firefighting equipment business, including but not limited to strategic management, financial management, marketing management and technical management, by the Group to Albert Ziegler Beijing.	Sale of fire engines, firefighting equipment, baggage, materials and warehouse handling system and equipment and aircraft catering trucks and such ancillary parts which are mainly produced and manufactured domestically by the Group to the CIMC Group.
	The Group may purchase or obtain from/sell to third parties and the CIMC Group or CIMC-Tianda Shenzhen or Albert Ziegler Beijing may sell to/purchase or obtain from third parties such supplies, services or products (as the case may be).					
Term:	For each of the Continuing Connected Transactions Agreements, subject to the respective approval of the Independent Shareholders, the term shall be commencing from the date on which the respective agreement becoming unconditional and ending on 31 December 2020.					
Condition precedent:	Each of the Continuing Connected Transactions Agreements shall be conditional upon the respective approval of the Independent Shareholders having been obtained.					

LETTER FROM CHINA AF

	The Master Sourcing Agreement	The Master Transportation Service Agreement	The Master Installation Service Agreement	The CIMC-Tianda Shenzhen Management Service Agreement	The AZ Management Service Agreement	The Master Sale and Purchase Agreement
Pricing basis:	<p>The Master Sourcing Agreement, Master Transportation Service Agreement, Master Installation Service Agreement and Master Sale and Purchase Agreement</p> <p>The relevant member(s) of the Group and the relevant member(s) of the CIMC Group will enter into separate contract(s) with respect to the individual transactions contemplated under each of the Continuing Connected Transactions Agreements in accordance with the principal terms set out therein.</p> <p>The terms, including the payment terms, will be determined on a transaction-by-transaction basis, and on normal commercial terms, or on terms no less favourable to the Group than terms available from Independent Third Parties.</p> <p>The price of the supplies, services or products under individual transactions contemplated under each of the Continuing Connected Transactions Agreements will be determined with reference to market price, being the price at which the same type of supplies, services or products are provided by Independent Third Parties to the Group/provided by the CIMC Group to Independent Third Parties/provided by the Group to Independent Third Parties/provided by Independent Third Parties to the CIMC Group (as the case may be) at or near the same area in the ordinary course of business of the Group and on normal commercial terms.</p> <p>The CIMC-Tianda Shenzhen Management Service Agreement and AZ Management Service Agreement</p> <p>Service fees are charged monthly based on the labour costs of the relevant employees of the Group, with reference to certain respective salaries level and the discretionary bonus payable to the relevant employees, apportioned by the actual time spent on providing the relevant management services.</p> <p>The Group determines the service fee with reference to a number of factors such as the level of service demand, cost of labour and scale of services. The chief executive officer of the Group is responsible for approving the service fee and will review the service fee annually with reference to the above factors.</p>					

Analysis on the principal terms of the Continuing Connected Transactions Agreements

In order to assess whether the principal terms of each of the Continuing Connected Transactions Agreements are fair and reasonable and in compliance with the relevant policy of the Group, we have conducted the following analysis:

2.1 Subject matter under each of the Continuing Connected Transactions Agreements

As mentioned in the paragraph headed “1.3 Reasons for entering into each of the Continuing Connected Transactions Agreements” in the above, we have analysed and consider that the transactions contemplated under each of the Continuing Connected Transactions are in the ordinary course of business of the Group, details of which can be referred thereto.

2.2 *Pricing basis under each of the Continuing Connected Transactions Agreements*

Pricing basis for the Master Sourcing Agreement, Master Transportation Service Agreement and Master Installation Service Agreement

Pursuant to each of the aforesaid agreements, the Group will enter into separate contract(s) with respect to the individual transactions contemplated under each of the aforesaid agreements with the relevant member of the CIMC Group in accordance with the principal terms set out therein. We are advised by the management of the Company that the relevant procurement and thus pricing basis are generally determined by the following mechanism.

Each of the Master Sourcing Agreement, Master Transportation Service Agreement and Master Installation Service Agreement involves the Group engaging suppliers or service providers, be it the CIMC Group or Independent Third Parties. We have enquired with the Company and noted that the Group keeps a list of approved suppliers or service providers (the “**Approved List**”) for the supplies or services under each of the Master Sourcing Agreement, Master Transportation Service Agreement and Master Installation Service Agreement. Before being included into the Approved List, potential suppliers or service providers are identified generally through past transactions with the Group or referral by the Group’s peers and customers, and are assessed by the Group with reference to their operation scale, supply or service quality, cost, delivery arrangement, range of services and technology capability.

Upon receiving requests for supplies and/or services from the relevant departments of the Group, such as the technical departments, information management department and project management departments, the procurement department of the Group will obtain at least two to three quotations for the supplies and/or services requested from suppliers or service providers in the Approved List, which may include both the CIMC Group and Independent Third Parties. The procurement departments of the Group will compare the prices and qualities of supplies and/or services obtained in the quotations. The heads of the procurement departments of the Group are responsible for approving the supplies and/or services orders and the Group will enter into purchase and/or service contracts with the approved suppliers and/or service providers upon approval. The sourcing and procuring process and policy for all suppliers and service providers (including the CIMC Group and Independent Third Parties) are the same.

We have reviewed and confirmed that the Company maintains a set of relevant internal control documents setting out the above procedures in various aspect of procurement and purchase. We have further obtained from the Company (i) samples of internal documents in relation to suppliers/service provider approval process; (ii) a list of existing approved suppliers/service providers; and (iii) a set of walkthrough documents demonstrating the aforesaid process of quotation comparison and approval. We hence consider that the procedures setting out in the set of relevant internal control documents of the Group have been carried out in daily operation of the Group, which will also apply to the transactions contemplated under each of the Master Sourcing Agreement, Master Transportation Service Agreement and Master Installation Service Agreement.

LETTER FROM CHINA AF

We are of the view that the duly execution of the aforesaid procurement and purchase procedure will ensure that the offers from the CIMC Group would be compared with those from other Independent Third Parties in terms of price and quality, which in turn can ensure that the Group can choose the best among the options available (which may or may not be the offers from the CIMC Group) while striving for balance between price and quality. Therefore, we are of the view that the pricing standard under each of the Master Sourcing Agreement, Master Transportation Service Agreement and Master Installation Service Agreement is on normal commercial terms and no less favourable to the Group than those offered to other Independent Third Parties of similar background and business relationship.

Pricing basis for the CIMC-Tianda Shenzhen Management Service Agreement, AZ Management Service Agreement and Master Sale and Purchase Agreement

Regarding the CIMC-Tianda Shenzhen Management Service Agreement and AZ Management Service Agreement, we understand that the respective management service fees are charged based on the actual labour expenses at cost (i.e. there will be no markup on the labour expenses) incurred by the Group for delivering such management services, including the discretionary bonus payable to the relevant employees and apportioned by the actual time spent on providing the relevant management services. In particular, the salary level of the relevant personnel involved under the CIMC-Tianda Shenzhen Management Service Agreement will range from approximately RMB6,500 to RMB42,000, while that under the AZ Management Service Agreement will range from approximately RMB20,000 to RMB38,000. The difference in salary ranges of the relevant personnel under the CIMC-Tianda Shenzhen Management Service Agreement and AZ Management Service Agreement is attributed to the difference in scope and extent of the management services required and thus the difference in number of staff involved and their rankings under each of the two agreements, details of which can be referred to the paragraph headed “1.3 Reasons for entering into each of the Continuing Connected Transactions Agreements” in this letter.

We have further enquired with the Company on the reason of not including markup on the labour expenses when determining the relevant management service fees, and are advised that the Company has considered that by offering the aforesaid management services, the operations and hence products and services of CIMC-Tianda Shenzhen and Albert Ziegler Beijing could fit into the strategies of the Group, which could enhance the overall branding coherence of the fire safety and firefighting business under the name of both the Group and CIMC Group and could bring synergy effect to both in this regard. It is also considered that Ziegler, a world renowned fire engines manufacturer with over 100 years history in the industry, is under the management of CIMC-Tianda Shenzhen and forms a substantial part of its fire engines business, and that through the provision of management services to CIMC-Tianda Shenzhen, the Group’s branding in the fire engines industry will be enhanced and strengthened, and at the same time the Group can obtain first-hand information of the European market through Ziegler’s network. Understanding that (i) the Company values the non-monetary advantages to be brought by the management services under the CIMC-Tianda Shenzhen Management Service Agreement and AZ Management Service Agreement, such as the aforesaid synergy effect and timely updates on market information; (ii) the Company expects that potential business opportunities can arise in the

LETTER FROM CHINA AF

future, leveraging on the Group's enhanced and strengthened brand image in this regard; and (iii) the Group will not suffer any loss in providing such management services as all relevant costs will be covered and monitored from time to time according to the internal control policies of the Group, we are of the view that the Company has justifiable commercial rationale and reasons for, and the Shareholders' and the Group's interests will not be compromised by, charging the relevant management service fees at cost with no markup. Taking into account the non-monetary advantages of providing the management services and that the Group will not suffer any loss in providing such, we consider the pricing basis under the CIMC-Tianda Shenzhen Management Service Agreement and AZ Management Service Agreement acceptable and fair and reasonable and that it is in the interest of the Company and the Shareholders as a whole.

Regarding the Master Sale and Purchase Agreement, it is set out in the Letter from the Board that the price of the fire engines, firefighting equipment, baggage, materials and warehouse handling systems and equipment, and aircraft catering trucks and such ancillary parts contemplated under the Master Sale and Purchase Agreement will be determined with reference to market price, being the price of the same type of fire engines, firefighting equipment baggage, materials and warehouse handling systems and equipment and aircraft catering trucks and such ancillary parts provided by the Group to Independent Third Parties or provided by the Independent Third Parties to the CIMC Group at or near the same area in the ordinary course of business and on normal commercial terms. We have further enquired with the Company and understand that (i) the price of sale of the above is generally determined on a "cost-plus" pricing standard which applies similarly on transactions with both the CIMC Group and Independent Third Parties; (ii) the Company generally takes into account the type of chassis, equipment and materials involved, their specifications, the level of technique involved in providing them, the scale of orders, the financial capability of the customer and the Group's negotiating power when determining the pricing to each customer; (iii) the profit margins of fire engines generally ranged from approximately 10% to 35%; (iv) the profit margins of firefighting equipment generally ranged from approximately 15% to 30%; and (v) the profit margins of baggage, materials and warehouse handling systems and equipment also generally ranged from approximately 15% to 30%.

To our best endeavour, we have obtained and compared the principal terms of sample sale and purchase agreements entered into between the Group and Independent Third Parties for the sale of the aforesaid equipment, materials and systems by the Group to Independent Third Parties and those contemplated under the Master Sale and Purchase Agreement. We consider that there is no material difference between the above. In addition, we understand that the Company generally adopts a similar "cost-plus" pricing standard and considers similar factors when determining the pricing for sales to both Independent Third Parties and the CIMC Group. Based on the above, we consider the pricing basis under the Master Sale and Purchase Agreement acceptable and fair and reasonable.

LETTER FROM CHINA AF

C. The proposed annual caps

(i) *The proposed annual caps for the Master Sourcing Agreement*

The proposed annual caps for the Master Sourcing Agreement for the year ending 31 December 2018, 2019 and 2020, respectively, are set out below:

	Proposed annual caps for the Master Sourcing Agreement for the year ending 31 December		
	2018	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Master Sourcing Agreement	4,000	52,000	60,000

In determining the above proposed annual caps for the Master Sourcing Agreement, the Directors have taken into consideration factors including but not limited to (a) the strategies of the procurement management of the Group in view of the overall business development; (b) the expected price increase in the materials supplied to the Group by CIMC Group in view of their rise in operation costs; (c) orders from customers specifically requesting products from CIMC Group in relation to an airport project in 2019; (d) the expected business growth of the Group; and (e) the historical figures of similar transactions between Pteris Group and CIMC Group before the Group's acquisition of the Pteris Group in April 2018.

For our due diligence purpose, we have enquired with the Company detailed basis when determining the above proposed annual caps.

Regarding the proposed annual cap for the year ending 31 December 2018, we are advised that it comprised estimated amounts of purchases of supplies from the CIMC Group with reference to the actual transaction amounts of such supplies for the preceding year, plus a buffer of RMB0.7 million, being approximately 17.5% of such proposed annual cap. We have (i) reviewed the relevant amounts of actual transaction; and (ii) considered that the Master Sourcing Agreement involves items with high unit prices like chassis, high-end fire engines and firefighting equipment, or their spare parts and other raw materials, such that when the actual purchase exceeds the estimated purchase for a relatively small quantity, the relevant amount would already be significant in proportion to the proposed annual cap. As such, we are of the view that the above represents acceptable basis for determining the proposed annual cap for the year.

For the proposed annual cap for the year ending 31 December 2019, we note that it can primarily be organised into three parts: (i) approximately RMB23.0 million, being approximately 44.2% of the proposed annual cap, is based on expected purchases for satisfying the indicated orders by the Group's customers who specifically require products of the CIMC Group, such as certain model of firefighting vehicle and chassis. We have enquired with the Company, reviewed relevant document and noted that approximately RMB9.0 million of such indicated orders is already reflected in a signed contract between the Group and an external customer, in which firefighting vehicles produced by the CIMC Group are requested. Considering that the Group has already secured contract for such a significant proportion of indicated orders and there is sufficient time for the Group to materialise the remaining proportion, we agree with the Company's basis in

LETTER FROM CHINA AF

estimating this part of proposed annual cap; (ii) approximately RMB21.4 million, being approximately 41.2% of the proposed annual cap, is based on estimated purchases of spare parts, raw materials, computer hardware and IT support services from the CIMC Group, among which (a) estimated purchase of computer hardware and IT services amounted to approximately RMB2.4 million, which has been determined based on the Group's hardware replacement and acquisition plan and plan for applications development; and (b) estimated purchase of other raw materials and spare parts amounted to approximately RMB19.0 million, comprising the estimated amount of approximately RMB11.0 million of materials to be sourced for one of the subsidiaries of the Company (based on its business development plan) which engaged in baggage, materials and warehouse handling systems, and the remaining amount of approximately RMB8.0 million of such purchases for other subsidiaries of the Company. In this regard, we have taken into account that (a) the Group has established track record in its business, including but not limited to the baggage, materials and warehouse handling systems business; (b) the Group has been successful in expanding its businesses in terms of revenue in its various segments; (c) as discussed with the Company, it expects ample business opportunities in the baggage, materials and warehouse handling systems operation in light of the worldwide development trend of e-commerce and delivery industry; and (d) while the applicable growth rates hereunder may appear to be significant when comparing to that of the previous year, considering that the proposed annual cap for the year ending 31 December 2018 does not represent a full year cap, we agree that it is justifiable. As a result of the above, we consider this part of the proposed annual cap reasonable; and (iii) the remaining approximately RMB7.6 million, being less than 15% of the proposed annual cap, is buffer which we consider reasonable due to the high unit prices of certain items involved hereunder as discussed previously.

Regarding the proposed annual cap for the year ending 31 December 2020, we note that the proportion of estimated purchases and buffer therein remains comparable to that among the proposed annual cap for the preceding year. In particular, estimated purchase of other raw materials and spare parts for the year increased to approximately RMB33.0 million, which comprised an approximately 100% growth in the estimated purchase amount for the one subsidiary of the Company which engaged in baggage, materials and warehouse handling systems, and an approximately 37.5% growth in the estimated purchase amount for other subsidiaries of the Company. We understand that the Company has considered the expected continuous growth in its baggage, materials and warehouse handling systems when making the above estimation, and we have also take into account that the Group has been able to expand its business and capture growth in its revenue, particularly between the six months ended 30 June 2017 and 2018, respectively. As such, we consider it reasonable for the Company to expect continuous growth in the estimated purchase of other raw materials and spare parts for the year so as to satisfy its business need in the future. The buffer hereunder amounted to approximately RMB7.9 million, being approximately 13.2% of the proposed annual cap for the year, which is close to the approximately RMB7.6 million buffer for the preceding year. Overall, the proposed annual cap for the year ending 31 December 2020 represents a growth of approximately 15.4% when compared with that for the preceding year. As mentioned previously, we note that the Group has been successful in expanding

LETTER FROM CHINA AF

its businesses and we have no reason to doubt the Group's ability to continue to do so. In particular, revenue of the Group increased by approximately 171.9% when comparing between the six months ended 30 June 2017 and 2018, respectively. Even if we consider the Group's revenue between the two years ended 31 December 2017 where the Pteris Acquisition has not been completed, it still presents a growth by approximately 12.2%. Based on the above, we consider it reasonable to apply a growth rate of approximately 15.4% when estimating the proposed annual cap for the year ending 31 December 2020 as it is justifiable that the Group's need for the purchase hereunder will be likely to grow with the Group's business.

(ii) ***The proposed annual caps for the Master Transportation Service Agreement and Master Installation Service Agreement, respectively***

The proposed annual caps for the Master Transportation Service Agreement and Master Installation Service Agreement, respectively, for the year ending 31 December 2018, 2019 and 2020, respectively, are set out below:

**Proposed annual caps for the Master
Transportation Service Agreement for the year
ending 31 December**

	2018	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Master Transportation Service Agreement	7,000	15,000	18,000

**Proposed annual caps for the Master
Installation Service Agreement for the year
ending 31 December**

	2018	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Master Installation Service Agreement	2,000	6,000	12,000

In determining the above proposed annual caps for the Master Transportation Service Agreement, the Directors have taken into consideration factors including but not limited to (a) the strategies of the logistics management of the Group in view of the overall business development and the expected growth in the business of the PBB and the baggage, materials and warehouse handling systems during the period and the estimated percentage of services procured from the CIMC Group; (b) the expected increase in orders of PBB from overseas markets and after considering the CIMC Group's competitive advantage in sea freight; (c) the number of the relevant existing projects during the term of the Master Transportation Service Agreement; (d) the expected business growth of the Group; and (e) the historical figures of similar transactions between Pteris Group and CIMC Group before the Group's acquisition of the Pteris Group in April 2018.

LETTER FROM CHINA AF

In determining the above proposed annual caps for the Master Installation Service Agreement, the Directors have taken into consideration factors including but not limited to (a) the strategies of the resources management of the Group in view of the overall business development in baggage, materials and warehouse handling systems; (b) the expected development and business need of the Group and the number of the relevant existing projects during the term of the Master Installation Service Agreement; and (c) the expected business growth of the Group.

For our due diligence purpose, we have enquired with the Company detailed basis when determining the proposed annual caps for each of the Master Transportation Service Agreement and Master Installation Service Agreement.

For the Master Transportation Service Agreement and for the year ending 31 December 2018, we are advised that the proposed annual cap is determined with reference to the actual fee amount of the relevant service provided by the CIMC Group for the year ended 31 December 2017. We have reviewed such historical amount of transportation service provided by the CIMC Group to the Group, being approximately RMB6.0 million, and consider that it is close to the proposed annual cap for the Master Transportation Service Agreement for the part of expected service for the year ending 31 December 2018. We also note that a buffer of approximately RMB0.2 million is included thereunder, being approximately 2.9% of the relevant proposed annual cap, which we consider acceptable taking into account the flexibility it provides to the Group.

For the year ending 31 December 2019, the Company has factored in a significant increase when estimating the fee amount of transportation service to be provided by the CIMC Group to the Group, being approximately RMB13.4 million, based on the expected increase in overseas orders for PBB at a rate of approximately 30% to 35% per annum. We have further enquired with the Company on the reason behind such expected increase in overseas orders and are advised that the Company are currently negotiating with numerous overseas airports on potential PBB projects and so the Group is expected to have more overseas orders in the near future. We also understand that the Company has taken into account price advantages of the CIMC Group's services in particular aspects, such as overseas sea freight, which the Company expects to have higher usage starting from the year ending 31 December 2019. Taking into consideration the business nature of the CIMC Group and its scale of operation, we have no reason to doubt that it possess certain level of economies of scale and can have price advantages in their services. Furthermore, we note that the buffer hereunder amounted to approximately RMB1.6 million, being approximately 10.7% of the relevant proposed annual cap for the year, which we consider justifiable taking into account the flexibility allowed to the Group for responding to changes in factors such as prices of crude oil, being an important factor in driving the change in costs of transportation, market prices of products and exchange rates.

For the relevant proposed annual cap for the year ending 31 December 2020, the Company has factored in a growth rate of approximately 14.9% (when comparing with that of the preceding year) in terms of the estimated fee amount of transportation service to be provided by the CIMC Group to the Group, which is primarily related to the PBB products with an expected growth rate comparable to that in the preceding year of approximately 30% to 35% per annum. In light of the Group's business expansion, in particular the growths of approximately 171.9% and 12.2% in the Group's revenue over (i) the six months ended 30 June 2017 and 2018; and (ii) the two years

LETTER FROM CHINA AF

ended 30 December 2017, respectively, we consider it reasonable to also estimate an increase in the Group's need for such transportation service and to apply a growth rate of approximately 14.9%. In addition, the buffer hereunder amounted to approximately RMB2.6 million, being approximately 14.4% of the relevant proposed annual cap for the year, which we consider justifiable because it allows the Group to address factors like inflation or change in crude oil prices, market prices, exchange rates and trend in the future without exceeding the proposed annual cap nor compromising on its need for transportation service in its ordinary course of business.

For the Master Installation Service Agreement, we understand that the CIMC Group did not provide installation service to the Group for the year ended 31 December 2017, so the Company has (i) made reference to the actual total cost spent on the relevant installation service of approximately RMB20.5 million for the year ended 31 December 2017; (ii) based on the above, estimated a total cost to be spent on the relevant installation service of approximately RMB30.0 million for the year ending 31 December 2018, representing a growth of approximately 46.3% when compared to the actual cost for the preceding year; (iii) assumed that 5% of the total cost to be spent on the relevant installation service for the year ending 31 December 2018 will be related to the service of the CIMC Group; and (iv) finally, by multiplying RMB30.0 million by 5%, came to the estimated amount of installation service from the CIMC Group of approximately RMB1.5 million for the year ending 31 December 2018, being approximately 75.0% of the proposed annual cap of the Master Installation Service Agreement for the year ended 31 December 2018.

In this regard, we (i) have taken into account the Group's business growth in terms of revenue for both the two years ended 31 December 2017 and the six months ended 30 June 2017 and 2018, and consider that it is reasonable for the Company to estimate the total installation-service-related cost for the year ending 31 December 2018 at a growth rate of approximately 46.3% when compared to that of the preceding year; and (ii) have enquired with the Company and understand that the five largest installation service provider of the Group accounted for approximately 10.9% to 32.4% of its total installation-service-related cost for the year ended 31 December 2017. The estimated percentage of installation service from the CIMC Group of 5.0% for the year ending 31 December 2018 is below such range and is a relatively conservative estimation, and thus we consider that such estimation has been carefully made based on the benchmark of other independent installation service providers. Overall, taking into account all of the above, we are of the view that the estimation of the amount of installation service from the CIMC Group of approximately RMB1.5 million for the year ending 31 December 2018 has been made on fair and reasonable basis.

Furthermore, we note that the Company reserves a buffer of approximately RMB0.5 million, being approximately 25% of this proposed annual cap for the year. We have taken into account that the Group did not record the provision of installation service from the CIMC Group for the year ended 31 December 2017 and thus did not have a materialised reference when estimating the amount of installation service from the CIMC Group for the year ending 31 December 2018. As such, we consider it justifiable to reserve relatively more buffer for allowing more flexibility to and avoiding the Group exceeding such proposed annual cap.

LETTER FROM CHINA AF

For the year ending 31 December 2019 and 2020, respectively, we understand that the proposed annual caps under the Master Installation Service Agreement comprised (i) estimated amount of installation service from the CIMC Group of approximately RMB5.0 million and RMB10.0 million; and (ii) buffer of approximately RMB1.0 million and RMB2.0 million. For the aforesaid years and regarding the estimated amounts of installation service from the CIMC Group, we understand that the Company has assumed a total installation-service-related cost of approximately RMB50.0 million and RMB80.0 million, respectively, and the estimated percentage of the amount of installation service from the CIMC Group thereto has been increased to approximately 10.0% and 12.5% for the year ending 31 December 2019 and 2020, respectively. In this regard, we have further enquired with the Company on the reason of the growth in the estimated total installation-service-related cost. We are advised that the Company currently sources on its own the materials to be used under such installation services, but plans to let installation service providers source such materials in the future with the intention to enhance efficiency, so it is expected that the Group's transaction amounts with installation service providers will gradually increase in the future. The Company also expects an increase in number of projects and a business growth of the Group's baggage, materials and warehouse handling systems with reference to the recent growth in the Group's relevant revenue. Taking into account such intention of the Group and its growing business need, we agree that it is justifiable for the Company to assume growths in the total installation-service-related costs. On the other hand, we consider that the Group's intention to let installation service providers source materials in the future also applies to the service of the CIMC Group and may increase the relevant amount, so a larger percentage may be necessary. Taking into account that the estimated percentages of installation service from the CIMC Group of 10.0% and 12.5% for the year ending 31 December 2019 and 2020, respectively, remain within range of the percentage attributable to the five largest installation service providers of the Group for the year ended 31 December 2017, we consider that such percentages are still in line with the benchmark of other independent installation service providers and hence are fair and reasonable. Furthermore, the buffers herein represent approximately 16.7% of the proposed annual caps for the year ending 31 December 2019 and 2020, respectively, which we consider reasonable taking into account that the Group did not have a materialised reference when estimating the amount of installation service from the CIMC Group and that by reserving certain buffers, the Group can have more flexibility to account for possible future price changes and exchange rate differences.

(iii) The proposed annual caps for the CIMC-Tianda Shenzhen Management Service Agreement and AZ Management Service Agreement, respectively

The proposed annual caps for the CIMC-Tianda Shenzhen Management Service Agreement and AZ Management Service Agreement, respectively, for the year ending 31 December 2018, 2019 and 2020, respectively, are set out below:

	Proposed annual caps for the CIMC-Tianda Shenzhen Management Service Agreement for the year ending 31 December		
	2018	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
CIMC-Tianda Shenzhen Management Service Agreement	1,000	4,000	5,000

LETTER FROM CHINA AF

**Proposed annual caps for the AZ
Management Service Agreement for the year
ending 31 December**

	2018	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
AZ Management Service Agreement	450	1,800	2,000

In arriving at the above proposed annual caps for the CIMC-Tianda Shenzhen Management Service Agreement and AZ Management Service Agreement, respectively, the Directors have taken into account factors including but not limited to, (a) the service demand indicated by CIMC-Tianda Shenzhen or Albert Ziegler Beijing (as the case may be) with reference to their business development and the expected business expansion; and (b) the cost of labour of the Group with reference to the salaries level of relevant employees as reviewed and adjusted from time to time.

We have enquired with the Company and are advised that the above proposed annual caps for the CIMC-Tianda Shenzhen Management Service Agreement and AZ Management Service Agreement, respectively, are solely determined based on the working time of management personnel required and their respective market level of salaries at cost with no buffer added. We consider that such proposed annual caps reflect the expected amount of service fees to be generated under each of the CIMC-Tianda Shenzhen Management Service Agreement and AZ Management Service Agreement, and hence are determined on acceptable and reasonable basis.

(iv) The proposed annual caps for the Master Sale and Purchase Agreement

The proposed annual caps for the year ending 31 December 2018, 2019 and 2020, respectively, for the Master Sale and Purchase Agreement are set out below:

**Proposed annual caps for the Master Sale
and Purchase Agreement for the year ending
31 December**

	2018	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Master Sale and Purchase Agreement	90,000	150,000	190,000

In determining the above proposed annual caps for the Master Sale and Purchase Agreement, the Directors have taken into consideration factors including but not limited to the expected demand of the fire engines, firefighting equipment, baggage, materials and warehouse handling systems and equipment and aircraft catering trucks and such ancillary parts from the CIMC Group during the term of the Master Sale and Purchase Agreement.

For our due diligence purpose, we have enquired with the Company detailed basis when determining the proposed annual caps for the Master Sale and Purchase Agreement for the three years ending 31 December 2020. We understand that under the aforesaid proposed annual cap for each of the three years ending 31 December 2020, over 85% was substantiated by expected orders indicated by the CIMC Group regarding fire fighting vehicle and equipment and aircraft catering

LETTER FROM CHINA AF

trucks and such ancillary parts. Taking into consideration the business nature of the CIMC Group and its scale of operation, and that the products expected to be purchased by the CIMC Group are in line with the ordinary business of both the CIMC Group and the Group, we have no reason to cast doubt on the expected orders from the CIMC Group. The amounts of buffer herein for each of the three years ending 31 December 2020 are approximately RMB3.5 million, RMB10.0 million and RMB10.0 million, respectively, representing approximately 3.9%, 6.7% and 5.3% of the proposed annual cap for the respective year. We further consider that by selling fire fighting vehicle and equipment and aircraft catering trucks and such ancillary parts to the CIMC Group under the Master Sale and Purchase Agreement, the Company can generate revenue in its ordinary course of business. Based on the above, we consider that proposed annual caps for the Master Sale and Purchase Agreement for the three years ending 31 December 2020 are determined on acceptable and reasonable basis.

D. Internal control procedures governing the Transactions

As set out in the Letter form the Board, the Continuing Connected Transactions Agreements will be conducted in the ordinary and usual course of business of the Group, on normal commercial terms and on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Furthermore, in respect of the transactions under each of the Continuing Connected Transactions Agreements, respective internal control procedures and pricing policies have been set out and are described in the paragraph headed “Analysis on the principal terms of the Continuing Connected Transactions Agreements” above.

In particular, under the Master Sourcing Agreement, Master Transportation Service Agreement and Master Installation Service Agreement, the Group keeps the Approved List of suppliers or service providers for the purpose of purchasing supplies and obtaining services. Generally, to be included in the Approved List, a potential candidate would have past transactions with the Group or been referred by the Group’s peers and customers, and will be assessed by the Group with respect to their operation scale, supply or service quality, cost, delivery arrangement, range of services and technology capability. We have reviewed samples of the Group’s assessments on potential suppliers and service providers and confirmed that the aforesaid assessment procedure has been put in place with the aforesaid criteria applied. We have also reviewed and confirmed that the Company keeps the Approved List in place.

We have also examined the Group’s procedure of obtaining quotations from suppliers or service providers in the Approved List for supplies and services in similar area of those contemplated under the Master Sourcing Agreement, Master Transportation Service Agreement and Master Installation Service Agreement, and reviewed relevant walkthrough documents in this regard. After obtaining two to three quotations for the supplies and/or services (which may include quotation from the CIMC Group) under each of the Master Sourcing Agreement, Master Transportation Service Agreement and Master Installation Service Agreement, the Group generally compares the quotations in terms of price, quality, delivery arrangement and technology capability of the respective suppliers and/or service providers. We note that the Group takes into account not only the prices of the quotations (which could come from the CIMC Group or Independent Third Parties) when making purchase decisions, but also on other qualitative criteria, which we consider fair and reasonable in the sense that (i) supply or service quality and the technology capability of the respective suppliers and/or service providers could affect the quality of

LETTER FROM CHINA AF

products or services the Group provides to its customers, which in turn could affect the Group's reputation and future business opportunities; and (ii) delivery arrangement could affect the delivery schedule of the Group and hence the timeliness of the Group's delivery of products and services, which could be another factor affecting the customers' confidence in the Group's products and services. As such, we consider that it is fair and reasonable for the Group to take into account the above assessment criteria when making purchase decisions. We also note that the heads of the procurement departments of the Group are responsible for approving the supplies and/or services orders after the aforesaid assessment process, which we consider another measure to ensure the Group can obtain the best opinion when making purchase or obtaining services.

On the other hand, regarding the CIMC-Tianda Shenzhen Management Service Agreement and AZ Management Service Agreement, we have enquired with the Company and are advised that the finance department of the Company is responsible for ensuring the management fees the Group charges for certain personnel will be determined strictly based on the labour expenses of the respective personnel (i.e. for any personnel involved, the management fees to be charged must cover the labour expenses to be incurred). In this sense, we consider that the Group can ensure the transactions contemplated under the CIMC-Tianda Shenzhen Management Service Agreement and AZ Management Service Agreement will be carried out according to the terms therein, and hence we consider the Group's internal control measures in this regard fair and reasonable.

In respect of the Master Sale and Purchase Agreement, we have enquired with the Company and get to understand that the responsible general managers and/or sales heads of the Group will review each sales order in terms of the prices offered and the contents of transactions, and approve if the sales orders are constructed in line with the Group's relevant sales policies. We are also advised that these general managers and/or sales heads of the Group will also be responsible of gathering and studying relevant market information, such as prevailing market prices and product trends, from time to time. We consider the above internal control policies effective in ensuring that the transactions contemplated under the Master Sale and Purchase Agreement will be carried out according to the terms therein and the Group's general sales policies, and that the Group could have updated market information from time to time and make reference thereto, which are beneficial to the Group. As such, we consider such internal control policies fair and reasonable.

We also understand that the Company has adopted the following internal control policies to monitor and ensure the pricing policies and annual caps of the continuing connected transactions are being complied:

- i. the financial review committee, with the Group's Chief Executive Officer as chairman and the Group's Chief Financial Officer as executive deputy chairman, will be responsible for managing all affairs relating to the continuing connected transactions and to guide, supervise and check the management of the continuing connected transactions by the departments;
- ii. the Group's finance departments are responsible for computing and consolidating the transactions amounts of the continuing connected transactions of departments on a monthly basis and to make timely report to the financial review committee when there exists a possibility that any annual cap may be exceeded; and

LETTER FROM CHINA AF

- iii. the financial review committee convenes meetings at least once every half year to review the continuing connected transactions entered into by the Group to ensure the transactions did not violate the relevant basis of price determination and did not exceed the annual caps. In the event that there is any report from the Group's finance departments that such amounts of transaction are estimated to exceed the relevant annual caps, the financial review committee will be notified so that the scale of transactions in the future may be re-estimated and arrangements may be made to issue announcements and/or to obtain the relevant approvals from the Board and the Independent Shareholders in accordance with the requirements of the Listing Rules.

Having considered that (i) the Company arranges multiple layer of supervision on, among others, the transactions amounts of the continuing connected transactions and whether there exists a possibility that any annual cap may be exceeded; (ii) the financial review committee convenes meetings at least once every half year to review the continuing connected transactions in terms of basis of price determination and whether the annual caps will be exceeded; and (iii) the financial review committee will be timely notified when the amounts of transaction are estimated to exceed the relevant annual caps such that reactions may be made, we consider that there is sufficient monitoring on the transactions amounts of the continuing connected transactions and timely update information on the same. As a result, we consider the relevant internal control policies fair and reasonable.

The Company will also engage the Company's auditor to review and report to the Board on an annual basis whether the continuing connected transaction are conducted in accordance with the terms of the Continuing Connected Transactions Agreements and whether the principal terms are fair and reasonable and in accordance with the Group's pricing basis and guidelines. The independent non-executive Directors will also review the transactions under the Continuing Connected Transactions Agreements on an annual basis. Accordingly, the Directors consider that the internal control system of the Group is effective to ensure that the transactions contemplated under the Continuing Connected Transactions Agreements will be conducted on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

Based on the above procedures and policies, we are of the view that there are sufficient internal controls in place to ensure the Transactions are conducted on normal commercial terms and not prejudicial to the interests of the Company and the minority Shareholders.

LETTER FROM CHINA AF

RECOMMENDATIONS

Having considered the factors and reasons as mentioned above, we are of the view that terms of each of the Continuing Connected Transactions Agreements are on normal commercial terms and the transactions contemplated thereunder are conducted in the ordinary and usual course of business of the Company. Furthermore, we are of the view that the Continuing Connected Transactions Agreements and the proposed annual caps are fair and reasonable so far as the Independent Shareholders are concerned and in the interest of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Transactions.

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 activities under the SFO and regarded as a responsible officer of China AF Corporate Finance Limited and has over 19 years of experience in corporate finance industry.

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

(a) Directors' and chief executive's interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, save as disclosed below, so far as was known to the Directors and the chief executive of the Company, none of the directors or chief executive had interests 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 SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they had taken or were deemed to have taken under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions 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 Shares 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 the Latest Practicable Date, the Company had the following share options outstanding which were granted to certain Directors in accordance with the terms of the share option scheme of the Company adopted on 29 May 2009.

Name of the Directors	Number of Shares issuable under the options	Percentage of the issued share capital of the Company
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%

(b) Substantial Shareholders and other person's interests and short position in the Shares, underlying Shares and securities of the Company

As at Latest Practicable Date, so far as is known to the Directors and the chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had, or were deemed to have, interests or short positions in the Shares or the underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group (if any) or had any options in respect of such capital:

Long positions in the Shares

Name of Shareholder	Capacity/ Nature of interest	Number or attributable number of Shares interested (Note 1)	Approximate percentage or attributable percentage of issued share capital of the Company	Note
Sharp Vision	Beneficial owner	9,618,962,597	66.47%	–
CIMC Top Gear B.V.	Beneficial owner	1,223,571,430	8.45%	–
Cooperatie CIMC U.A.	Interest of a controlled corporation	1,223,571,430	8.45%	2
China International Marine Containers (Hong Kong) Limited (“CIMC HK”)	Interest of a controlled corporation	10,842,534,027	74.92%	3&4
CIMC	Interest of a controlled corporation	10,842,534,027	74.92%	5

Name of Shareholder	Capacity/ Nature of interest	Number or attributable number of Shares interested (Note 1)	Approximate percentage or attributable percentage of issued share capital of the Company	Note
Fengqiang	Beneficial owner	2,616,751,693	19.07%	–
Fengqiang Hong Kong Co., Limited	Interest of a controlled corporation	2,616,751,693	19.07%	6
TGM (深圳特哥盟科技有限公司)	Interest of a controlled corporation	2,616,751,693	19.07%	6
Genius Earn Limited ("Genius Earn")	Beneficial owner	115,375,000	0.80%	–
Liu Xiaolin	Interest of a controlled corporation	2,077,938,770	14.36%	7
Yang Yuan	Interest of Spouse	2,077,938,770	14.36%	8
Lucky Rich Holdings Limited ("Lucky Rich")	Beneficial owner	1,962,563,770	13.56%	–
Shanghai Yunrong Investment Centre (Limited Partnership)* ("Shanghai Yunrong") (上海蘊融投資中心 (有限合夥))	Interest of a controlled corporation	1,962,563,770	13.56%	9
Shenzhen Jiuming Investment Consulting Co., Ltd.* ("Shenzhen Jiuming") (深圳市久名投資諮詢 有限公司)	Interest of a controlled corporation	1,962,563,770	13.56%	9
Dazi Dingcheng Capital Investment Co., Ltd.* ("Dazi Dingcheng") (達孜縣鼎誠資本 投資有限公司)	Interest of a controlled corporation	1,962,563,770	13.56%	10
Beijing Zhongrong Dingxin Investment Management Co., Ltd.* ("Zhongrong Dingxin") (北京中融鼎新 投資管理有限公司)	Interest of a controlled corporation	1,962,563,770	13.56%	10

Name of Shareholder	Capacity/ Nature of interest	Number or attributable number of Shares interested (Note 1)	Approximate percentage or attributable percentage of issued share capital of the Company	Note
Zhongrong International Trust Co., Ltd.* ("Zhongrong International") (中融國際信託有限公司)	Interest of a controlled corporation	1,962,563,770	13.56%	10
Jingwei Textile Machinery Co., Ltd. ("Jingwei Textile")	Interest of a controlled corporation	1,962,563,770	13.56%	10

Notes:

- (1) The number or attributable number of Shares interested includes those attributable to convertible bonds if converted. Details of the convertible bonds and the respective transactions are set out in the circular of the Company dated 15 March 2018.
- (2) Cooperatie CIMC U.A. is beneficially interested in the entire share capital of CIMC Top Gear B.V. and is taken to be interested in the 1,223,571,430 shares in which CIMC Top Gear B.V. has declared interest for the purpose of the SFO.
- (3) CIMC HK and CIMC are beneficially interested in 1% and 99% respectively of the issued share capital of Cooperatie CIMC U.A. and are taken to be interested in the 1,223,571,430 shares in which Cooperatie CIMC U.A. has declared interest for the purpose of the SFO.
- (4) CIMC HK is beneficially interested in the entire share capital of Sharp Vision and is taken to be interested in the 9,618,962,597 shares interested under equity derivatives in which Sharp Vision has declared interest for the purpose of the SFO.
- (5) CIMC is beneficially interested in the entire share capital of CIMC HK and is taken to be interested in the 10,842,534,027 shares interested under equity derivatives in which CIMC HK has declared interest for the purpose of the SFO.
- (6) Fengqiang Hong Kong Co., Limited is beneficially interested in the entire share capital of Fengqiang and is deemed or taken to be interested in the 2,616,751,693 shares 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 Hong Kong Co., Limited and is deemed or taken to be interested in the 2,616,751,693 shares interested under equity derivatives in which shares interested under equity derivatives has declared an interest for the purpose of the SFO.
- (7) Mr. Liu Xiaolin is beneficially interested in the entire share capital of Genius Earn. and is deemed or taken to be interested in the 115,375,000 shares in which Genius Earn. has declared an interest for the purpose of SFO. Mr. Liu Xiaolin is beneficially interested in the entire share capital of Shenzhen Jiuming.
- (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) Shanghai Yunrong is beneficially interested in the entire share capital of Lucky Rich and is deemed or taken to be interested in the 1,962,563,770 shares interested under equity derivatives in which Lucky Rich has declared an interest for the purpose of SFO. Shenzhen Jiuming is beneficially interested in 0.2% of Shanghai Yunrong.
- (10) Dazi Dingcheng is beneficially interested in 0.2% of the issued share capital of Shanghai Yunrong. Zhongrong Dingxin is beneficially interested in the entire issued share capital of Dazi Dingcheng, and is beneficially interested in 88.5% of the issued share capital of Shanghai Yunrong. Zhongrong International is beneficially interested in the entire issued share capital of Zhongrong Dingxin. Jingwei Textile is beneficially interested in 37.47% of the issued share capital of Zhongrong International.

Save as disclosed above, there is no person known to the Directors or the chief executive of the Company who, as at the Latest Practicable Date, had, or was deemed to have, an interest or short position in the shares or the underlying shares of the Company, which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group, or any option in respect of such capital.

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 (the “**Pteris Acquisition**”) to acquire 78.15% and 21.26% respectively from Sharp Vision Holdings Limited (“**Sharp Vision**”) and Fengqiang Holdings Limited (“**Fengqiang**”), of the equity interests in Pteris Global Limited (“**Pteris**”), a non-wholly-owned subsidiary of CIMC. Fengqiang is indirectly wholly-owned by Shenzhen TGM Limited (深圳特哥盟科技有限公司) (“**TGM**”), a company established in the PRC which is in turn owned by the employees of Pteris Group. 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 Pteris Acquisition disclosed above, since 31 December 2017 (being the date to which the latest published audited consolidated financial statements of the Group were made up) up to the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group. In addition, none of the Directors was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date which is 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 had entered into, or proposed to enter into, any service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

5. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors or their respective associates had an interest in a business which operates in or may operate in significant competition with the business of the Group and any other conflicts of interest which any such person has or may have with the Group.

6. EXPERT AND CONSENT

The following sets out the qualifications of the expert who have given opinions or advices in this circular:

Name	Qualification
China AF Corporate Finance Limited	A licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

China AF (the “**Expert**”) has given and has not withdrawn its written consent to the issue of this circular with the inclusion of, where applicable, its letter(s) of advice and/or report(s) and references to its name in the form and context in which they respectively appear.

The Expert was not beneficially interested in the share capital of any member of the Group and did not 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.

Since 31 December 2017 (being the date to which the latest published audited consolidated financial statements of the Group were made up) and up to the Latest Practicable Date, the Expert did not have any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

7. 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 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 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 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 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 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), 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) an agreement dated 20 July 2018 between CIMC, 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 (“**Southern CIMC Container**”), CIMC-Tianda Airport Support, 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 Jingmen**”) and 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 Modern Logistics**”); in relation to 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 Company Ltd., a company established in the PRC with limited liability and a direct wholly owned subsidiary of CIMC as at the Latest Practicable Date;

- (9) an equity transfer agreement dated 20 July 2018 between CIMC-Tianda Shenzhen and 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 (“**Allied Best (China)**”), in relation to the purchase of the 10% of the equity interest in 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, by Allied Best (China) from CIMC Tianda (Shenzhen) at nil consideration;
- (10) an equity transfer agreement dated 28 August 2018 between CIMC-Tianda Shenzhen and Allied Best (China) in relation to the purchase of 5% of the equity interest in 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, by Allied Best (China) from CIMC-Tianda Shenzhen at nil consideration; and
- (11) an equity transfer agreement dated 19 October 2018, pursuant to which, the Group will acquire the entire equity interests in Shanghai Jindun Special Vehicle Equipment Co.,Ltd.* (上海金盾特種車輛裝備有限公司), a company principally engaged in the manufacturing of fire engines, at the consideration of RMB381,800,000.

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 Group) which have been entered into by any member of the Group within the two years immediately preceding the Latest Practicable Date.

8. LITIGATION

Rental dispute

A subsidiary of the Company was named as a defendant in a litigation case in Chengdu in respect of a rental dispute for a property leased for operating a hotel. The Company sold the hotel business in 2014. The subsidiary lost in the case and the Company 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 Company 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 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.

9. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2017, the date to which the latest published audited financial statements of the Group were made up.

10. MISCELLANEOUS

- (a) The company secretary of the Company is Ms. Li Ching Wah. She is a member of the Hong Kong Institute of Certified Public Accountants.
- (b) The registered office of the Company is situated at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.
- (c) The head office and principal place of business in Hong Kong of the Company is situated at Units A-B, 16/F, China Overseas Building, 139 Hennessy Road, Wan Chai, Hong Kong.
- (d) The Hong Kong branch share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (e) In the event of inconsistency, the English text of this circular and form of proxy shall prevail over the Chinese text.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the head office and principal place of business of the Company in Hong Kong at Units A-B, 16/F, China Overseas Building, 139 Hennessy Road, Wan Chai, Hong Kong during normal business hours on any business day from the date of this circular up to the holding of the EGM:

- (a) the Master Sourcing Agreement;
- (b) the Master Transportation Service Agreement;
- (c) the Master Installation Service Agreement;
- (d) the CIMC-Tianda Shenzhen Management Service Agreement;
- (e) the AZ Management Service Agreement;
- (f) the Master Sale and Purchase Agreement;
- (g) the memorandum and articles of association of the Company;
- (h) each of the material contracts set out under the paragraph headed “Material Contracts” in this appendix;
- (i) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 33 to 34 of this circular;
- (j) the letter of advice from China AF to the Independent Board Committee and the Independent Shareholders, the text of which is set out on page 35 to 61 of this circular;
- (k) the written consent referred to in the section headed “Expert and Consent” in this Appendix;
and
- (l) this circular.

NOTICE OF EXTRAORDINARY GENERAL MEETING



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 an extraordinary general meeting (the “EGM”) of CIMC-TianDa Holdings Company Limited (the “Company”) will be held at Empire Room I, 1/F, Empire Hotel Hong Kong - Wanchai, 33 Hennessy Road, Wan Chai, Hong Kong at 3:00 p.m. on 5 December 2018 (Wednesday) for the following purpose of considering and, if thought fit, passing with or without amendments, the following resolutions as ordinary resolutions of the Company. Unless the context requires otherwise, capitalised terms used herein shall have the same meaning as defined in the circular of the Company dated 15 November 2018 (the “Circular”).

ORDINARY RESOLUTIONS

1. “THAT

- (a) the form and substance of the Master Sourcing Agreement (a copy of which has been produced to this meeting marked “A” and signed by the chairman of this meeting for the purpose of identification), the transactions contemplated thereunder and the proposed caps of the transactions thereunder for each of the three years ending 31 December 2020 be and are hereby ratified, confirmed and approved; and
- (b) any Director be and is hereby authorised for and on behalf of the Company to execute all such other documents, instruments and agreements (whether under common seal or not) and to do all such acts or things deemed by him/them to be incidental to, ancillary to or in connection with the matters contemplated in the Master Sourcing Agreement and the transactions contemplated thereunder as he/they may in his/their absolute discretion consider necessary, desirable or expedient to give effect to the Master Sourcing Agreements and the implementation of all transactions contemplated thereunder (including the proposed cap amounts) and to agree with such variation, amendment or waiver as, in the opinion of the Directors, in the interest of the Company and its shareholders as a whole.”

NOTICE OF EXTRAORDINARY GENERAL MEETING

2. “THAT

- (a) the form and substance of the Master Transportation Service Agreement (a copy of which has been produced to this meeting marked “B” and signed by the chairman of this meeting for the purpose of identification), the transactions contemplated thereunder and the proposed caps of the transactions thereunder for each of the three years ending 31 December 2020 be and are hereby ratified, confirmed and approved; and
- (b) any Director be and is hereby authorised for and on behalf of the Company to execute all such other documents, instruments and agreements (whether under common seal or not) and to do all such acts or things deemed by him/them to be incidental to, ancillary to or in connection with the matters contemplated in the Master Transportation Service Agreement and the transactions contemplated thereunder as he/they may in his/their absolute discretion consider necessary, desirable or expedient to give effect to the Master Transportation Service Agreement, the implementation of all transactions contemplated thereunder (including the proposed cap amounts) and to agree with such variation, amendment or waiver as, in the opinion of the Directors, in the interest of the Company and its shareholders as a whole.”

3. “THAT

- (a) the form and substance of the Master Installation Service Agreement (a copy of which has been produced to this meeting marked “C” and signed by the chairman of this meeting for the purpose of identification), the transactions contemplated thereunder and the proposed caps of the transactions thereunder for each of the three years ending 31 December 2020 be and are hereby ratified, confirmed and approved; and
- (b) any Director be and is hereby authorised for and on behalf of the Company to execute all such other documents, instruments and agreements (whether under common seal or not) and to do all such acts or things deemed by him/them to be incidental to, ancillary to or in connection with the matters contemplated in the Master Installation Service Agreement and the transactions contemplated thereunder as he/they may in his/their absolute discretion consider necessary, desirable or expedient to give effect to the Master Installation Service Agreement, the implementation of all transactions contemplated thereunder (including the proposed cap amounts) and to agree with such variation, amendment or waiver as, in the opinion of the Directors, in the interest of the Company and its shareholders as a whole.”

NOTICE OF EXTRAORDINARY GENERAL MEETING

4. “THAT

- (a) the form and substance of the CIMC-Tianda Shenzhen Management Service Agreement (a copy of which has been produced to this meeting marked “D” and signed by the chairman of this meeting for the purpose of identification), the transactions contemplated thereunder and the proposed caps of the transactions thereunder for each of the three years ending 31 December 2020 be and are hereby ratified, confirmed and approved; and
- (b) any Director be and is hereby authorised for and on behalf of the Company to execute all such other documents, instruments and agreements (whether under common seal or not) and to do all such acts or things deemed by him/them to be incidental to, ancillary to or in connection with the matters contemplated in the CIMC-Tianda Shenzhen Management Service Agreement and the transactions contemplated thereunder as he/they may in his/their absolute discretion consider necessary, desirable or expedient to give effect to the CIMC-Tianda Shenzhen Management Service Agreement, the implementation of all transactions contemplated thereunder (including the proposed cap amounts) and to agree with such variation, amendment or waiver as, in the opinion of the Directors, in the interest of the Company and its shareholders as a whole.”

5. “THAT

- (a) the form and substance of the AZ Management Service Agreement (a copy of which has been produced to this meeting marked “E” and signed by the chairman of this meeting for the purpose of identification), the transactions contemplated thereunder and the proposed caps of the transactions thereunder for each of the three years ending 31 December 2020 be and are hereby ratified, confirmed and approved; and
- (b) any Director be and is hereby authorised for and on behalf of the Company to execute all such other documents, instruments and agreements (whether under common seal or not) and to do all such acts or things deemed by him/them to be incidental to, ancillary to or in connection with the matters contemplated in the AZ Management Service Agreement and the transactions contemplated thereunder as he/they may in his/their absolute discretion consider necessary, desirable or expedient to give effect to the AZ Management Service Agreement, the implementation of all transactions contemplated thereunder (including the proposed cap amounts) and to agree with such variation, amendment or waiver as, in the opinion of the Directors, in the interest of the Company and its shareholders as a whole.”

NOTICE OF EXTRAORDINARY GENERAL MEETING

6. “THAT

- (a) the form and substance of the Master Sale and Purchase Agreement (a copy of which has been produced to this meeting marked “F” and signed by the chairman of this meeting for the purpose of identification), the transactions contemplated thereunder and the proposed caps of the transactions thereunder for each of the three years ending 31 December 2020 be and are hereby ratified, confirmed and approved; and
- (b) any Director be and is hereby authorised for and on behalf of the Company to execute all such other documents, instruments and agreements (whether under common seal or not) and to do all such acts or things deemed by him/them to be incidental to, ancillary to or in connection with the matters contemplated in the Master Sale and Purchase Agreement and the transactions contemplated thereunder as he/they may in his/their absolute discretion consider necessary, desirable or expedient to give effect to the Master Sale and Purchase Agreement, the implementation of all transactions contemplated thereunder (including the proposed cap amounts) and to agree with such variation, amendment or waiver as, in the opinion of the Directors, in the interest of the Company and its shareholders as a whole.”

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

Hong Kong, 15 November 2018

Registered Office:

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

Head office and principal place of business in Hong Kong:

Units A-B, 16/F
China Oversea Building
No 139 Hennessy Road
Wanchai, Hong Kong

Principal place of business in the PRC:

No. 9, Fuyuan 2nd Rd
Fuyong, Baoan District
Shenzhen, PRC

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

1. The register of members of the Company will be closed from Friday, 30 November 2018 to Wednesday, 5 December 2018, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be entitled to attend and vote at the EGM, all share certificates with completed transfer forms 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 not later than 4:30 p.m. on Thursday, 29 November 2018.
2. Any shareholder of the Company entitled to attend and vote at the EGM convened by the above notice is entitled to appoint another person as his proxy to attend and vote instead of him. A shareholder who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at the EGM. A proxy need not be a shareholder of the Company but must be present in person at the EGM to represent the shareholder. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.
3. In order to be valid, the form of proxy must be duly completed and signed in accordance with the instructions printed thereon and returned together with the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power or authority, to 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 not later than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of a form of proxy will not preclude a shareholder from attending and voting in person at the EGM or any adjournment thereof, should he so wish.
4. In the case of joint registered holders of any shares, any one of such joint holders may vote at the EGM, either personally or by proxy, in respect of such shares as if he was solely entitled thereto, but if more than one of such joint holders are present at the EGM personally or by proxy, that one of the said persons so present whose name stands first in the register of members of the Company in respect of the joint holding shall alone be entitled to vote in respect thereof.