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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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

**If you have sold or transferred** all your shares in **CHINA INTERNATIONAL MARINE CONTAINERS (GROUP) CO., LTD.**, you should at once hand this circular and the accompanying form of proxy and reply slip to the purchaser or transferee or to licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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**CIMC 中集**

**CHINA INTERNATIONAL MARINE CONTAINERS (GROUP) CO., LTD.**

**中國國際海運集裝箱(集團)股份有限公司**

*(a joint stock company incorporated in the People's Republic of China with limited liability)*

**(Stock Code: 2039)**

**(1) DISCLOSEABLE TRANSACTION – PROPOSED RESTRUCTURING  
AND  
(2) WAIVER OF ASSURED ENTITLEMENT  
UNDER THE PROPOSED RESTRUCTURING**

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

**RaffAello**  
**CAPITAL LIMITED**

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

A letter from the Board is set out on pages 9 to 33 of this circular, a letter from the Independent Board Committee is set out on page 34 of this circular and a letter from the Independent Financial Adviser is set out on pages 35 to 61 of this circular.

The notice of the EGM to be held at CIMC R&D Centre, 2 Gangwan Avenue, Shekou, Nanshan District, Shenzhen, Guangdong, the PRC at 2:45 p.m. on Friday, 9 February 2018 has been despatched to the Shareholders on 22 December 2017. A form of proxy to be used at the EGM is enclosed with the EGM Notice. Whether or not you are able to attend the EGM, you are requested to complete and return the form of proxy despatched to the Shareholders on 22 December 2017 in accordance with the instructions printed thereon, as soon as possible and in any event not less than 24 hours before the time appointed for the holding of 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.

24 January 2018

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## DEFINITIONS

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

“A Share(s)”	the domestic ordinary share(s) with a nominal value of RMB1.00 each in the share capital of the Company, which are listed on the Shenzhen Stock Exchange and traded in RMB
“Articles of Association”	the articles of association of the Company (as amended, modified or otherwise supplemented from time to time)
“Board”	the Company’s board of Directors
“CAGR”	compound annual growth rate
“CASBE”	China Accounting Standards for Business Enterprises, the financial reporting standards and interpretations for business enterprises issued by the China Accounting Standards Committee of the China Ministry of Finance
“CFE”	China Fire Safety Enterprise Group Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 445.HK)
“CFE Director(s)”	director(s) of CFE
“CFE Group”	CFE and its subsidiaries
“CFE Shareholder(s)”	holder of CFE Shares
“CFE Shares”	ordinary share(s) with a nominal value of HK\$0.01 each in the share capital of CFE
“CIMC” or “Company”	China International Marine Containers (Group) Co., Ltd. (中國國際海運集裝箱(集團)股份有限公司), a company established in the PRC with limited liability, the shares of which are listed on the Shenzhen Stock Exchange and the Main Board of the Stock Exchange, and a controlling shareholder of CFE, holding 30% of the issued share capital of CFE as at the Latest Practicable Date
“Concert Group”	the Company and parties acting in concert with it (as defined in the Takeovers Code)
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules

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## DEFINITIONS

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“Consideration Share(s)”	up to 7,470,108,040 new CFE Shares of HK\$0.01 each in the capital of CFE to be allotted and issued in satisfaction of part of the consideration of the Proposed Acquisitions in accordance with the terms of the Pteris Sale and Purchase Agreement and TianDa Equity Transfer Agreement
“controlling shareholder”	has the meaning ascribed thereto under the Listing Rules
“Conversion Price”	the initial conversion price of HK\$0.366 per Conversion Share, subject to adjustments pursuant to the terms and conditions of the Convertible Bonds
“Conversion Share(s)”	the CFE Shares to be allotted and issued by CFE upon the exercise of the conversion rights attaching to the Convertible Bonds
“Convertible Bond(s)”	the convertible bonds to be issued by CFE to the Pteris Vendors and Lucky Rich in satisfaction of part of the consideration of the Proposed Acquisitions in accordance with the terms of the Pteris Sale and Purchase Agreement and TianDa Equity Transfer Agreement in the aggregate principal amount of up to RMB2,093,133,694
“Deferred Settlement Date”	the date on which the consideration for the Proposed Pteris Acquisition is fully settled by CFE’s issuance of additional Consideration Shares or Convertible Bonds, as the case may be, pursuant to the terms of the Pteris Sale and Purchase Agreement (assuming the TianDa Completion does not take place on or prior to the Pteris Completion)
“Director”	the director(s) of the Company
“EBITDA”	earnings before interest, taxes, depreciation and amortisation
“EGM”	the extraordinary general meeting of the Company to be convened and held on 9 February 2018 for the purpose of considering and, if thought fit, approving the Proposed Restructuring and the proposal to waive the assured entitlement under the Proposed Restructuring
“EGM Notice”	the announcement issued by the Company dated 22 December 2017 providing Shareholders with notice of the EGM

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## DEFINITIONS

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“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegates of the Executive Director
“Fengqiang”	Fengqiang Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and indirectly wholly-owned by TGM
“Group”	the Company and its subsidiaries
“H Share(s)”	the overseas-listed foreign ordinary share(s) with a nominal value of RMB1.00 each in the share capital of the Company, which are listed on the Stock Exchange and traded in Hong Kong dollars
“H Share Registrar”	Computershare Hong Kong Investor Services Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the board of directors of the Company comprising all of the independent non-executive directors of the Company which was formed to advise the Shareholders on matters in relation to the Proposed Restructuring
“Independent Financial Adviser” or “RaffAello Capital”	RaffAello Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed by the Company to advise the Independent Board Committee and Shareholders on matters in relation to the Proposed Restructuring
“Joint Announcement”	the joint announcement issued by the Company and CFE dated 4 December 2017 in respect of, among others, the Proposed Restructuring
“Latest Practicable Date”	22 January 2018, being the latest practicable date for the purpose of ascertaining information in this circular prior to its printing
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Long Stop Date”	31 March 2018 or such later date as may be agreed in writing by the parties to the Pteris Sale and Purchase Agreement

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## DEFINITIONS

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“Lucky Rich”	Lucky Rich Holdings Limited, a company incorporated in Samoa, which is interested in 30% of the equity interest in TianDa as at the Latest Practicable Date
“PRC”	the People’s Republic of China, and for the purpose of this circular, excluding Hong Kong, the Macau Administrative Region of the PRC and Taiwan
“Proposed Acquisitions”	the Proposed Pteris Acquisition and the Proposed TianDa Acquisition
“Proposed Pteris Acquisition”	the proposed acquisition of Pteris Sale Shares by Wang Sing pursuant to the Pteris Sale and Purchase Agreement
“Proposed Restructuring”	the proposed disposal of approximately 78.15% equity interest in Pteris by Sharp Vision to CFE at a consideration of RMB2,992,459,264 to be satisfied by CFE issuing (i) 6,326,428,570 Consideration Shares, representing approximately 54.8% of the issued share capital of CFE as enlarged by the allotment and issuance of the Consideration Shares in respect of the Proposed Pteris Acquisition (or, 4,664,472,279 Consideration Shares if the Proposed TianDa Acquisition takes place, representing approximately 40.4% of the issued share capital of CFE as enlarged by the allotment and issuance of Consideration Shares in respect of the Proposed Acquisitions), and (ii) the Convertible Bonds in the principal amount of RMB1,024,307,336, representing approximately 20.2% of the issued share capital of CFE as enlarged by the allotment and issuance of the Consideration Shares in respect of the Proposed Pteris Acquisition and upon full conversion of the Convertible Bonds of CFE issued in respect of the Proposed Pteris Acquisition (or, the Convertible Bonds in the principal amount of RMB1,541,341,938 if the Proposed TianDa Acquisition has taken place, representing approximately 27.1% of the issued share capital as enlarged by the allotment and issuance of Consideration Shares in respect of the Proposed Acquisitions and upon full conversion of the Convertible Bonds), pursuant to the Pteris Sale and Purchase Agreement, which is a key step for the Group’s internal restructuring, consolidation and strengthening of several ancillary business segments of the Group, as further stated in this circular

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## DEFINITIONS

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“Proposed TianDa Acquisition”	the proposed acquisition of the TianDa Sale Interest by Wang Sing pursuant to the TianDa Equity Transfer Agreement
“Pteris”	Pteris Global Limited, a company incorporated in Singapore with limited liability and a non-wholly owned subsidiary of the Company
“Pteris Completion”	completion of the sale and purchase of the Pteris Sale Shares and the subscription of the Consideration Shares and Convertible Bonds by the Pteris Vendors (or their respective nominee(s)) pursuant to the terms of the Pteris Sale and Purchase Agreement
“Pteris Group”	Pteris and its subsidiaries
“Pteris Sale and Purchase Agreement”	the sale and purchase agreement dated 4 December 2017 entered into by Wang Sing, CFE and the Pteris Vendors in respect of the Proposed Pteris Acquisition
“Pteris Sale Shares”	the 383,064,391 Pteris Shares held by the Pteris Vendors (or their respective wholly-owned subsidiaries) representing approximately 99.41% of the issued share capital of Pteris as at the Latest Practicable Date
“Pteris Share(s)”	ordinary share(s) of Pteris
“Pteris Vendors”	Sharp Vision and Fengqiang
“RMB”	Renminbi, the lawful currency of the PRC
“SFC”	the Securities and Futures Commission of Hong Kong
“SGD”	Singapore dollars, the lawful currency of the Republic of Singapore
“Shanghai Yunrong”	Shanghai Yunrong Investment Centre* (上海蘊融投資中心), a limited partnership established in the PRC, which holds the entire equity interest in Lucky Rich as at the Latest Practicable Date
“Shareholder(s)”	the holder(s) of the A share(s) and H share(s) of the Company

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## DEFINITIONS

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“Sharp Vision”	Sharp Vision Holdings Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company, which is interested in approximately 78.15% of the issued share capital of Pteris as at the Latest Practicable Date
“Shenzhen Listing Rules”	the Rules Governing the Listing of Stocks on Shenzhen Stock Exchange
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning ascribed thereto under the Listing Rules
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“TGM”	Shenzhen TGM Ltd.* (深圳特哥盟科技有限公司), a company established in the PRC with limited liability, which is indirectly (through Fengqiang) interested in approximately 21.26% of the issued share capital of Pteris as at the Latest Practicable Date
“TianDa”	Shenzhen CIMC-TianDa Airport Support 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 a non-wholly owned subsidiary of Pteris
“TianDa Completion”	completion of the sale and purchase of the TianDa Sale Interest and the subscription of the Consideration Shares and Convertible Bonds by Lucky Rich (or its nominee(s)) pursuant to the terms of the TianDa Equity Transfer Agreement
“TianDa Condition(s)”	the conditions precedents to the TianDa Completion as provided in the TianDa Equity Transfer Agreement
“TianDa Equity Transfer Agreement”	the sale and purchase agreement dated 4 December 2017 entered into by CFE and Lucky Rich in respect of the Proposed TianDa Acquisition
“TianDa Group”	TianDa and its subsidiaries
“TianDa Sale Interest”	30% of the equity interest of TianDa held by Lucky Rich
“Top Gear”	CIMC Top Gear B.V., a company incorporated in the Netherlands with limited liability and an indirect wholly-owned subsidiary of the Company



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## DEFINITIONS

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“Wang Sing” Wang Sing Technology Limited, a company incorporated in the British Virgin Islands and a direct wholly-owned subsidiary of CFE

“Whitewash Waiver” a waiver by the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code from the obligation of Sharp Vision to make a mandatory general offer for all CFE Shares and CFE Share Options that are not already or agreed to be acquired by the Concert Group as a result of the allotment and issuance of the Consideration Shares to Sharp Vision (or its nominee(s)) and the Conversion Shares upon conversion of the Convertible Bonds

“%” per cent.

\* *For identification purpose only*

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## EXPECTED TIMETABLE

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**2018**

Latest time for lodging transfers of the H Shares  
to qualifying for attendance and voting  
at the EGM .....4:30 p.m., Monday, 8 January

H Share register closed .....Tuesday, 9 January to Friday, 9 February  
(both days inclusive)

Latest date for lodging reply slips for the EGM .....Saturday, 20 January

Latest time for lodging proxy forms for the EGM .....2:45 p.m.,  
Thursday, 8 February

EGM .....2:45 p.m., Friday 9 February

H Share register re-open .....Saturday, 10 February

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LETTER FROM THE BOARD

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**CIMC 中集**

**CHINA INTERNATIONAL MARINE CONTAINERS (GROUP) CO., LTD.**

中國國際海運集裝箱(集團)股份有限公司

*(a joint stock company incorporated in the People's Republic of China with limited liability)*

**(Stock Code: 2039)**

***Board of Directors:***

*Non-executive Directors:*

Mr. WANG Hong (*Chairman*)

Mr. WANG Yuhang (*Vice Chairman*)

Mr. HU Xianfu

Mr. LIU Chong

*Executive Director:*

Mr. MAI Boliang

*Independent non-executive Directors:*

Mr. PAN Chengwei

Mr. PAN Zhengqi

Mr. WONG Kwai Huen, Albert

***Legal Address, Registered Address  
and Address of Head Office:***

8th Floor,

CIMC R&D Centre,

2 Gangwan Avenue,

Shekou, Nanshan District,

Shenzhen,

Guangdong, the PRC

24 January 2018

*To the Shareholders*

Dear Sir or Madam,

**(1) DISCLOSEABLE TRANSACTION – PROPOSED RESTRUCTURING  
AND**

**(2) WAIVER OF ASSURED ENTITLEMENT  
UNDER THE PROPOSED RESTRUCTURING**

**INTRODUCTION**

Reference is made to the Joint Announcement dated 4 December 2017, the announcement of the Company dated 8 December 2017 and the EGM Notice dated 22 December 2017 in relation to, among others, the Proposed Restructuring which involves the disposal of approximately 78.15% equity interest in Pteris held by Sharp Vision (an indirectly wholly-owned subsidiary of the Company) to Wang Sing (an indirectly wholly-owned subsidiary of CFE) at a consideration of RMB2,992,459,264 which will be settled by the issue and allotment of certain Consideration Shares and Convertible Bonds by CFE to Sharp Vision.

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## LETTER FROM THE BOARD

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The injection of the businesses of Pteris into CFE by way of disposal of the equity interest in Pteris by Sharp Vision constitutes a spin-off of the Company under Practice Note 15 of the Listing Rules. The Company has submitted a spin-off proposal to the Stock Exchange pursuant to Practice Note 15 of the Listing Rules and the Stock Exchange has indicated that the Company may proceed with the Proposed Restructuring.

While the Proposed Restructuring only constitutes a discloseable transaction under Chapter 14 of the Listing Rules, it constitutes a related party transaction (關聯方交易) of the Company under the Shenzhen Listing Rules and therefore is subject to the approval by the independent Shareholders.

The purpose of this circular is to provide (i) further details of the Proposed Restructuring and the grounds for the waiver of assured entitlement, (ii) a letter from the Independent Board Committee to the Shareholders containing its recommendation in respect of the Proposed Restructuring and waiver of assured entitlement, and (iii) a letter from the Independent Financial Adviser to the Independent Board Committee and the Shareholders containing its recommendation in respect of the Proposed Restructuring and waiver of assured entitlement.

### PROPOSED RESTRUCTURING

A summary of the principal terms of the Pteris Sale and Purchase Agreement is set out below.

### PTERIS SALE AND PURCHASE AGREEMENT

**Date:**

4 December 2017

**Parties:**

- (i) Wang Sing (as the purchaser of the Pteris Sale Shares);
- (ii) CFE (as the issuer of the Consideration Shares and Convertible Bonds);
- (iii) Sharp Vision (as one of the vendors of the Pteris Sale Shares); and
- (iv) Fengqiang (as one of the vendors of the Pteris Sale Shares).

**Subject Matter:**

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

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## LETTER FROM THE BOARD

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### **Consideration:**

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

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

- (i) RMB2,992,459,264 payable to Sharp Vision shall be satisfied by the issuance of 4,664,472,279 Consideration Shares by CFE at the issue price of HK\$0.366 per CFE Share and Convertible Bonds in the principal amount of RMB1,024,307,336 to Sharp Vision (or its nominee(s)) on the date of the Pteris Completion, and:
  - (a) if the TianDa Conditions are not satisfied (or waived, as the case may be) on or before the Long Stop Date, an additional of 1,661,956,291 Consideration Shares shall be issued by CFE within ten business days after the Long Stop Date. In such case, a total of 6,326,428,570 Consideration Shares and Convertible Bonds in the principal amount of RMB1,024,307,336 will be allotted and issued to Sharp Vision (or its nominee(s)); or
  - (b) if the TianDa Conditions are satisfied (or waived, as the case may be) on or before the Long Stop Date, additional Convertible Bonds in the principal amount of RMB517,034,602 shall be issued by CFE within ten business days after the date of the TianDa Completion. In such case, a total of 4,664,472,279 Consideration Shares and Convertible Bonds in the principal amount of RMB1,541,341,938 will be allotted and issued to Sharp Vision (or its nominee(s)); and
- (ii) RMB814,071,452 payable to Fengqiang shall be satisfied by the issuance of 956,000,000 Consideration Shares by CFE at the issue price of HK\$0.366 per CFE Share and Convertible Bonds in the principal amount of RMB256,904,950 to Fengqiang (or its nominee(s)) on the date of the Pteris Completion, and:
  - (a) if the TianDa Conditions are not satisfied (or waived, as the case may be) on or before the Long Stop Date, an additional of 187,679,470 Consideration Shares and additional Convertible Bonds in the principal amount of RMB201,367,819 shall be issued by CFE within ten business days after the Long Stop Date. In such case, a total of 1,143,679,470 Consideration Shares and Convertible Bonds in the principal amount of RMB458,272,769 will be allotted and issued to Fengqiang (or its nominee(s)); or
  - (b) if the TianDa Conditions are satisfied (or waived, as the case may be) on or before the Long Stop Date, an additional of 834,956,291 Consideration Shares shall to be issued by CFE within ten business days after the date of the TianDa Completion. In such case, a total of 1,790,956,291 Consideration Shares and Convertible Bonds in the principal amount of RMB256,904,950 will be allotted and issued to Fengqiang (or its nominee(s)).

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## LETTER FROM THE BOARD

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

- (i) RMB2,992,459,264 payable to Sharp Vision shall be satisfied by the issuance of 4,664,472,279 Consideration Shares by CFE at the issue price of HK\$0.366 per CFE Share and Convertible Bonds in the principal amount of RMB1,541,341,938 to Sharp Vision (or its nominee(s)); and
- (ii) RMB814,071,452 payable to Fengqiang shall be satisfied by the issuance of 1,790,956,291 Consideration Shares by CFE at the issue price of HK\$0.366 per CFE Share and Convertible Bonds in the principal amount of RMB256,904,950 by CFE to Fengqiang (or its nominee(s)).

The number of Consideration Shares and the principal amount of Convertible Bonds to be issued by CFE to Sharp Vision and Fengqiang (or their respective nominees) are different depending on whether and when the TianDa Completion takes place. In the event that the TianDa Completion takes place, it may take place either prior to or concurrently with or after the Pteris Completion. In the event that the TianDa Completion does not take place on or prior to the Pteris Completion, the consideration for the Proposed Pteris Acquisition will be fully settled on the Deferred Settlement Date, which will be within ten business days after the Long Stop Date as further explained above. The above payment mechanism is to ensure that CFE would be able to satisfy the minimum public float requirement under Rule 8.08(1)(a) of the Listing Rules in all scenarios, since in the case of the TianDa Completion, additional Consideration Shares would need to be issued to Lucky Rich as vendor of the TianDa Sale Interest, which would reduce the public float of CFE. The TianDa Completion is subject to, among other things, the satisfaction (or waiver thereof) of the conditions precedents for the Proposed Pteris Acquisition.

Application will be made by CFE to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares and the Conversion Shares to be issued upon full conversion of the Convertible Bonds.

**Basis of Determination:**

The consideration for the Proposed Restructuring pursuant to the Pteris Sale and Purchase Agreement is RMB2,992,459,264, which was arrived at after arm's length negotiations between Wang Sing, CFE and Sharp Vision with reference to, among other things, the following factors:

***(i) The track record and business prospects of the Pteris Group***

The Pteris Group (including the TianDa Group) is one of the world's largest suppliers of passenger boarding bridges and a leading integrated solutions provider of airport facility equipment in the PRC including airport logistic systems and airport apron buses. It is expected that the market demand for the products and services of Pteris Group can increase significantly in the next few years in light of the fast growing civil aviation

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## LETTER FROM THE BOARD

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transportation industry and the expected large number of new civilian airports in the PRC and overseas, as well as the promising prospects of the materials handling systems business. According to the industry report prepared by Frost & Sullivan, a global consulting company founded in 1961 in New York with over 40 global offices and more than 2,000 industry consultants, market research analyst, technology analysts and economists, it is expected that the passenger boarding bridge market and the material handling system market in the PRC will have a CAGR of 7.3% and 23.1%, respectively, from the years 2016 to 2021, and the global passenger boarding bridge market and global material handling system market will have a CAGR of 5.5% and 5.2%, respectively, from the years 2016 to 2021.

***(ii) The financial conditions of the CFE Group and the Pteris Group, in particular, their respective profitability***

The revenue resulting from continuing operations of CFE Group decreased by 16.6% from RMB565.2 million for the year ended 31 December 2015 to RMB471.3 million for the year ended 31 December 2016 per the audited consolidated financial statements of CFE as disclosed in its annual reports for the relevant years. For the year ended 31 December 2014, CFE Group incurred a net loss of RMB502 million resulting from its continuing and discontinued operations. The net profit of CFE Group resulting from its continuing and discontinued operations decreased by 43.2% from RMB30.4 million for the year ended 31 December 2015 to RMB17.3 million for the year ended 31 December 2016 per the audited consolidated financial statements of CFE as disclosed in its annual reports for the relevant years.

In contrast, the revenue of the Pteris Group increased from RMB1,116.2 million (based on the exchange rate of SGD:RMB=1:4.6396) for the year ended 31 December 2014 to RMB1,522.8 million (based on the exchange rate of SGD:RMB=1:4.7995) for the year ended 31 December 2016 per the audited consolidated financial statements of Pteris prepared in accordance with Singapore Financial Reporting Standard for the relevant years, representing a CAGR of 14.8% during the three years ended 31 December 2016. The net profit of the Pteris Group increased from RMB61.9 million (based on the exchange rate of SGD:RMB=1:4.6396) for the year ended 31 December 2014 to RMB111.8 million (based on the exchange rate of SGD:RMB=1:4.7995) for the year ended 31 December 2016 per the audited consolidated financial statements of Pteris prepared in accordance with Singapore Financial Reporting Standard for the relevant years, representing a CAGR of 32.1% for the three years ended 31 December 2016.

***(iii) The expected synergies to be achieved between the CFE Group and the Pteris Group after completion of the Proposed Pteris Acquisition***

In light of the similarity of the Pteris Group's operations and target customers with those of the CFE Group, the Proposed Pteris Acquisition would allow the CFE Group to realize potential synergies through the sharing of the technical know-how (in particular, Pteris Group's extensive experience in standardized designing and modular production which will allow the CFE Group to improve its product quality), suppliers base, research & development resources, expansion of the product portfolio offered, marketing channels and sales network, which would facilitate the CFE Group's market coverage and reduce

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## LETTER FROM THE BOARD

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operation costs. In addition, leveraging the close relationship between the Pteris Group and the large number of airport operators in the PRC and worldwide, the CFE Group will be able to expand its business operations in the PRC as well as such suitable overseas markets in the long term. For instance, approximately 35 airport operators with which the CFE Group currently does not have business relationship are customers or have close business relationships with the Pteris Group. Further, after completion of the Proposed Pteris Acquisition, members of the CFE Group, as subsidiaries of the Company, will benefit from the potential economy of scale by maximizing the utilization and output of available resources from both the Group and CFE Group and will be able to utilize the centralized financing management platform of the Group and obtain intra-group financings at lower financing costs.

***(iv) The financial information (e.g. net profits and book value) of a number of comparable companies listed on the PRC and overseas stock exchanges***

In determining the consideration for the Proposed Pteris Acquisition, comparison was also made between the financial information (e.g. net profits and book value) and financial ratios of the Pteris Group and other comparable companies, including major passenger boarding bridge suppliers, logistics integration suppliers, airport ground supporting equipment suppliers, automated warehouses and materials handling systems suppliers and airport maintenance services providers which are listed on the PRC or overseas stock exchanges, such as John Bean Technologies Corporation. According to Frost & Sullivan, John Bean Technologies Corporation is one of Pteris Group's main competitors in the passenger boarding bridges market, which has a market capitalization of US\$3.7 billion (equivalent to approximately HK\$29 billion) and a price-earnings ratio of 46 and an enterprise value to EBITDA ratio of 27 as at 1 December 2017 whereas the price earnings ratio of Pteris in the Proposed Pteris Acquisition is 53.4 (based on the profit attributable to the owners of the Pteris Group for the year ended 31 December 2016 and the exchange rate of SGD:RMB=1:4.7995) with an enterprise value to EBITDA ratio of approximately 22.7 (based on the EBITDA of the Pteris Group for the year ended 31 December 2016 and the exchange rate of SGD:RMB=1:4.7995).

***(v) The earnings multiples of precedent transactions, including P/E ratio, relating to the acquisition of companies engaging in similar businesses to that of the businesses engaged by the Pteris Group***

Reference was also made to the earnings multiples, including price-earnings ratios and enterprise value to EBITDA ratios, of precedent transactions in international markets involving the acquisitions of companies engaging in in the supply of materials handling automation system, supplier chain technology systems and package and baggage handling systems during the period from 2012 to 2017, such as the acquisition of Vanderlande Industries by Toyota Industries and the acquisition of Kuka AG by Midea, which have an aggregate consideration of US\$6.3 billion with an average price earnings ratio of 39.4 whereas the aggregate consideration for the Proposed Pteris Acquisition (representing 99.41% equity interest in Pteris) is RMB3,806,530,716 and the price earnings ratio of Pteris is 53.4 in the Proposed Pteris Acquisition. According to Frost & Sullivan, Vanderlande Industries and Kuka AG are Pteris Group's main competitors in the material handling system market.



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## LETTER FROM THE BOARD

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The original cost for acquiring approximately 78.15% of the issued share capital of Pteris incurred by Sharp Vision was approximately RMB955 million, mainly involving the following steps:

Date of Transaction	% of Interest Held in Pteris after the Transaction	Consideration	RMB equivalent	Description of Transaction
August 2012	14.99%	SGD15,000,000	RMB73,012,500	Capital increase in Pteris settled in cash
August 2014	51.32% (increase of 36.33%)	SGD96,303,000	RMB486,331,000	Consideration for the capital increase in Pteris was settled by Sharp Vision through the disposal of 70% interest in TianDa by China International Marine Containers (Hong Kong) Limited, the parent company of Sharp Vision and a wholly-owned subsidiary of the Company
September 2016	78.15% (increase of 26.83%)	HK\$472,720,265	RMB395,666,861	Consideration was settled in cash pursuant to the voluntary general offer by Sharp Vision for all the issued shares of Pteris (other than those held by TGM)
<b>Total</b>			<b>RMB955,010,361</b>	

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## LETTER FROM THE BOARD

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The original cost incurred by Sharp Vision for acquisition of 78.15% of the issued share capital of Pteris represents an approximately 68% discount to the consideration under the Proposed Pteris Acquisition to the original cost incurred by Sharp Vision. The significant difference of the consideration of the Proposed Pteris Acquisition to the original cost of acquisition is justified because of the transformation of Pteris after the original acquisition by Sharp Vision as further described below:

- (i) In 2012, before the Company first made its investment in Pteris, Pteris was in dire financial conditions, as it was operating at substantial losses with limited capital inflows. In particular, for the year ended 31 December 2012, the revenue of Pteris was only SGD65.67 million and the net loss amounted to SGD29.59 million. The loss was expected to increase substantially for 2013-2014. Such major losses resulted in the Pteris Group being unable to obtain additional trade financing and bank facilities to support its overseas projects and ongoing working capital requirements. Through the Company's investment in 2012 and 2013, and leveraging the Company's close relationship with financial institutions, Pteris was gradually able to obtain financing and improve its financial conditions and operating performance. By 2016, Pteris has become a multinational corporation with solid financial conditions and strong operating performance in various geographical regions. For the year ended 31 December 2016, Pteris achieved revenue of approximately RMB1,522.8 million and net profit after tax of approximately RMB111.8 million.
- (ii) Significant synergic effects and cost savings were realized after the acquisition of TianDa by Pteris in 2014, which also facilitated Pteris' expansion of sales and operations in the PRC market.
- (iii) Leveraging on the Company's financial support and global network, Pteris has conducted major acquisitions of quality overseas assets since 2012, which further expanded its scale of operations and improved its development potential.
- (iv) Since 2012, with the Company's substantial investments and leveraging the Company's expertise, marketing and distribution channels and technological know-how, Pteris expanded its product and services offerings from baggage handling system to passenger boarding bridges, ground support equipment, materials handling system, platform vehicles, catering trolleys and various other core airport facilities and components.

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## LETTER FROM THE BOARD

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### The Convertible Bonds:

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

Issuer:	CFE
Principal Amount:	Up to RMB2,093,133,694, among which up to RMB1,541,341,938 may be issued to the Company, details of which are set out below: <ul style="list-style-type: none"><li>(i) RMB1,024,307,336 issued to the Company as part of the consideration for the Proposed Pteris Acquisition (assuming the TianDa Completion does not take place); or</li><li>(ii) RMB1,541,341,938 issued to the Company as part of the consideration for the Proposed Pteris Acquisition (assuming the TianDa Completion takes place).</li></ul>
Maturity Date:	30th anniversary of the issue date.
Interest:	The Convertible Bond bear interest from and including the issue date at the rate of 0.1% per annum, payable annually in arrear on each anniversary from the issue date.  After the conversion rights of the Convertible Bonds have been exercised or such Convertible Bonds is redeemed pursuant to the terms and conditions of the Convertible Bonds, each Convertible Bond will not bear any interest.
Status:	The Convertible Bonds constitute direct, unsubordinated, unconditional and unsecured obligation of the CFE and shall at all times rank <i>pari passu</i> and without any preference or priority among themselves.
Transferability:	All Convertible Bonds are transferable, except where any Convertible Bonds is intended to be transferred to a connected person of CFE, such transfer shall be subject to the written consent of CFE and comply with the requirements of the Listing Rules.

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## LETTER FROM THE BOARD

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Conversion Period: Subject to certain conditions, each holder of the Convertible Bonds has the right to convert all or part of the Convertible Bonds held by it (if in part, the principal amount of Convertible Bonds to be converted shall be in the minimum amount of RMB10,000,000 or the whole outstanding principal amount of the Convertible Bonds) into CFE Shares credited as fully paid at any time during the period from the issue date to the maturity date.

Conversion Price: The initial Conversion Price is HK\$0.366, which is subject to adjustment upon occurrence of consolidation, subdivision or reclassification of CFE Shares.

If and whenever there shall be an alteration to the nominal value of the CFE Shares as a result of consolidation, subdivision or reclassification, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such alteration by the following fraction:

$$\frac{A}{B}$$

where:

A is the nominal amount of one CFE Share immediately after such alteration; and

B is the nominal amount of one CFE Share immediately before such alteration.

Such adjustment shall become effective on the date the alteration takes effect.

The number of CFE Shares to be issued on conversion of a Convertible Bond will be determined by dividing the HK\$ equivalent of the RMB principal amount of the Convertible Bond to be converted (at the agreed fixed exchange rate of HK\$1:RMB0.85) by the Conversion Price in effect on the conversion date.

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## LETTER FROM THE BOARD

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Restriction on conversion rights:	No conversion shall take place if (i) immediately after such conversion, the public float of CFE Shares will fall below the minimum public float as stipulated under the Listing Rules or as required by the Stock Exchange or (ii) (unless otherwise agreed in writing by CFE) if a mandatory offer obligation under Rule 26.1 of the Takeovers Code will be triggered.
Redemption at maturity:	Unless otherwise, converted, purchased or cancelled in accordance with the terms and conditions of the Convertible Bonds, CFE will redeem each Convertible Bond at the HK\$ dollar equivalent of the RMB principal amount (at the agreed fixed exchange rate of HK\$1:RMB0.85), at the maturity date.
Listing:	No application will be made for the listing of the Convertible Bonds on the Stock Exchange or any other stock exchange.

### **Conditions Precedent:**

The Pteris Completion shall be conditional upon the following conditions being fulfilled (or waived by Wang Sing, as the case may be):

- (a) the passing of all necessary resolutions by the independent CFE Shareholders at a general meeting approving, among other things, the Proposed Pteris Acquisition, the issue of Consideration Shares and Convertible Bonds in respect of the Proposed Pteris Acquisition, the proposed increase in authorized capital of CFE and the Whitewash Waiver pursuant to the requirements of the Takeovers Code and the Listing Rules;
- (b) the passing of all resolutions by the independent Shareholders (or minority Shareholders, as the case may be) at a general meeting approving, among other things, the Proposed Restructuring (including the approval of the waiver of assured entitlement) pursuant to the requirements of the Shenzhen Listing Rules and the Listing Rules;
- (c) the obtaining of the Whitewash Waiver by the Company (or its wholly-owned subsidiary) from the Executive;
- (d) the obtaining of the approval of the spin-off proposal from the Stock Exchange pursuant to Practice Note 15 of the Listing Rules;
- (e) the listing of, and the permission to deal in, all the Consideration Shares and Conversion Shares to be issued upon full conversion of the Convertible Bonds under the Proposed Pteris Acquisition being granted by the Stock Exchange and not having been revoked;

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## LETTER FROM THE BOARD

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- (f) the representations and warranties given by each of the Pteris Vendors under the Pteris Sale and Purchase Agreement having remained true, accurate and not misleading in all material respects throughout the period from the date of the Pteris Sale and Purchase Agreement to the Pteris Completion;
- (g) no events having occurred which caused, causes or may cause material adverse effect on (i) the assets, business, operation or financial condition of the Pteris Group as a whole; or (ii) the ability of the Pteris Vendors to perform or comply with their respective material obligations, undertakings or covenants under the Pteris Sale and Purchase Agreement; and
- (h) there being no applicable laws, rules, regulations, decrees of any court or decisions of any regulator (such as the Stock Exchange) which shall, or which shall reasonably be expected to, forbid, restrict or impose conditions or restrictions on completion of the transactions contemplated under the Pteris Sale and Purchase Agreement.

No party can waive any of the abovementioned conditions, except condition (f) which may be waived by Wang Sing at its absolute discretion at or before 12:00 noon (Hong Kong time) on the Long Stop Date.

The representations and warranties given by each of the Pteris Vendors under the Pteris Sale and Purchase Agreement as referred to in condition (f) above are primarily related to, among other things, due incorporation of Pteris, ownership of the Pteris Sale Shares, litigation pending against the Pteris Group, financial position of the Pteris Group and other representations and warranties customary to similar transactions. In the event that any representation or warranty given by either of the Pteris Vendors is untrue, inaccurate or misleading in any material respect throughout the date of the Pteris Sale and Purchase Agreement to the Pteris Completion, Wang Sing will, subject to the review of its board of directors and the board of CFE Directors at the relevant time, consider to waive such condition if it is of the view that (i) the potential benefits to the CFE Group by proceeding to the Pteris Completion outweighs the risk resulted from such condition not being fulfilled; and (ii) the consummation of the Proposed Pteris Acquisition remains fair and reasonable and in the interest of CFE and the CFE Shareholders as a whole, taking into account various factors such as the long-term business strategies of the CFE Group and the operational and financial condition of the Pteris Group at the time.

In any event such exercise of Wang Sing's right to waive condition (f) pursuant to the Pteris Sale and Purchase Agreement is not expected to affect the substance of the Proposed Restructuring.

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## LETTER FROM THE BOARD

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Wang Sing shall not be obliged to complete the sale and purchase of any of the Pteris Sale Shares unless the sale and purchase of all the Pteris Sale Shares are completed simultaneously.

If the conditions precedents for the Proposed Pteris Acquisition are satisfied (or waived, as applicable) but the conditions precedent for the Proposed TianDa Acquisition are not satisfied (or waived, as applicable), the Proposed Pteris Acquisition will proceed and the Proposed TianDa Acquisition will not proceed.

### **Termination:**

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

### **INFORMATION ON THE RELEVANT PARTIES**

#### **Pteris**

Pteris is a company incorporated in Singapore with limited liability and an indirect non-wholly owned subsidiary of the Company. The Pteris Group (including the TianDa Group) is one of the world's largest suppliers of passenger boarding bridges and a leading integrated solutions provider of airport facility equipment in the PRC including airport logistic systems and airport apron buses.

The principal assets of the Pteris Group include: (i) its 70% equity interest in TianDa, which is the principal operating subsidiary of Pteris in the business of passenger boarding bridges (including bridges related business); and (ii) its baggage and material handling business and ground support equipment business. The Pteris Group's ground support equipment business includes design and manufacture of airport shuttle bus, catering truck, airport platform vehicle.

As at the Latest Practicable Date, Pteris is directly owned by Sharp Vision and Fengqiang as to approximately 78.15% and 21.26%, respectively. The remaining 0.59% is held by approximately 450 individuals and companies who had not accepted the voluntary general offer for the issued shares of Pteris (which was then listed on the Singapore Exchange Securities Trading Limited) made by Sharp Vision upon close of the offer in September 2016.

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## LETTER FROM THE BOARD

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A summary of certain audited financial information of the Pteris Group for the two financial years ended 31 December 2016 prepared in accordance with Singapore Financial Reporting Standards is set out below:

	For the financial year ended	
	31 December	
	2015	2016
	(Note 1)	(Note 2)
	RMB'000	RMB'000
Revenue	1,565,874	1,522,790
Net profit before tax	100,246	131,574
Net profit after tax	84,075	111,790
	<u>1,565,874</u>	<u>1,522,790</u>
	As at 31 December	
	2015	2016
	(Note 1)	(Note 2)
	RMB'000	RMB'000
Net asset value	1,158,486	1,307,105
	<u>1,158,486</u>	<u>1,307,105</u>

*Notes:*

- (1) Based on the exchange rate of SGD: RMB: 1:4.5875 published by the People's Bank of China on 31 December 2015.
- (2) Based on the exchange rate of SGD: RMB: 1:4.7995 published by the People's Bank of China on 30 December 2016.

### CIMC

The Company is established in the PRC with limited liability, the A shares of which are listed on the Shenzhen Stock Exchange and the H shares of which are listed on the Main Board of the Stock Exchange. As at the Latest Practicable Date, the Company (through a wholly-owned subsidiary, Top Gear) is interested in approximately 30% of the total issued shares capital of CFE and is the indirect controlling shareholder of CFE. The Group is principally engaged in the container manufacturing business, road transportation vehicle business, energy, chemical and liquid food equipment business, offshore engineering business, logistic service business and airport facilities equipment business.



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## LETTER FROM THE BOARD

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### Sharp Vision

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

### CFE

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

As at Latest Practicable Date, Top Gear (a wholly-owned subsidiary of the Company) is the direct controlling shareholder of CFE which holds approximately 30.0% of the total issued share capital of CFE.

A summary of certain audited financial information of the CFE Group for the two financial years ended 31 December 2016 prepared in accordance with HKFRS is set out below:

	<b>For the financial year ended</b>	
	<b>31 December</b>	
	<b>2015</b>	<b>2016</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	565,178	471,252
Net profit before tax	51,165	24,872
Net profit after tax	<u>30,444</u>	<u>17,286</u>
	<b>As at 31 December</b>	
	<b>2015</b>	<b>2016</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Net asset value	<u>1,006,587</u>	<u>1,052,999</u>

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## LETTER FROM THE BOARD

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### **Wang Sing**

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

As set out above, the Company, through Top Gear, is interested in approximately 30.0% of the total issued share capital of CFE, and is the controlling shareholder of CFE. In addition, Liu Xiaolin, the ultimate beneficial owner of 3.2% interest in CFE, is the sole shareholder of one of the general partners of Shanghai Yunrong, a limited partnership which holds the entire equity interest in Lucky Rich which in turn directly holds 30% interest in Tianda, a non-wholly owned subsidiary of the Company. Therefore, Lucky Rich is a connected person of the Company at the subsidiary level. Save as disclosed above, the other ultimate beneficial owners of the remaining approximately 66.8% interest in CFE are third parties independent of the Company and its connected persons, and each of CFE and Wang Sing is not a connected person of the Company under Chapter 14A of the Listing Rules.

### **Fengqiang**

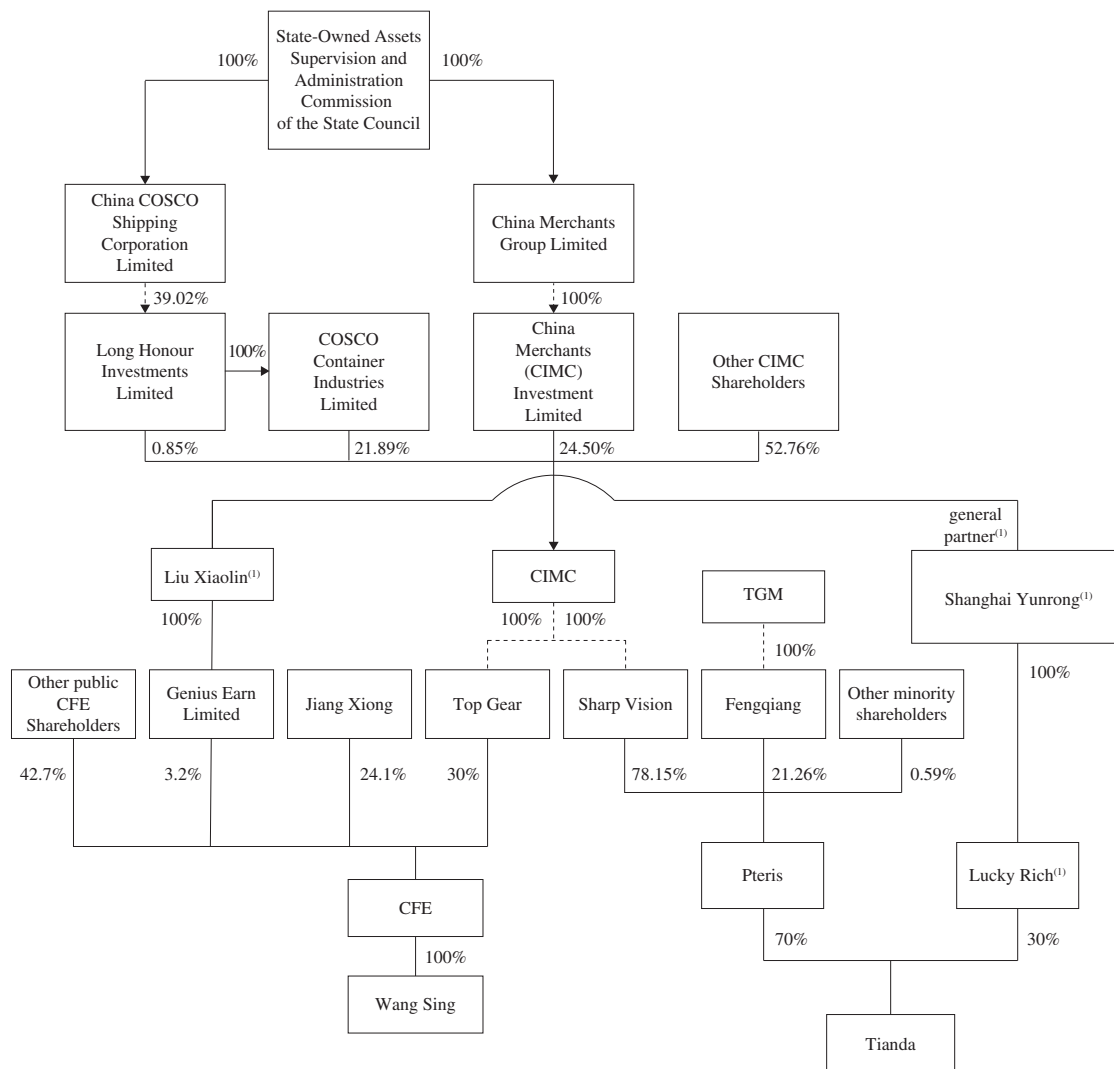
Fengqiang, a company incorporated in the British Virgin Islands with limited liability, is wholly-owned by TGM, a company established in the PRC which is in turn owned by the employees of the Pteris Group. Fengqiang is an investment holding company. As at the date of this circular, Mr. Zheng Zu Hua and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

Other than Mr. Zheng Zu Hua and Mr. Luan You Jun, as at the Latest Practicable Date, other shareholders of TGM comprise the labour union of TianDa (who holds the shares on trust for the benefit of employees of Pteris) and approximately 100 other individuals who are the key management personnel or technical personnel of Pteris Group. None of the other individual shareholders of TGM hold more than 5% of the total issued share capital of TGM.

# LETTER FROM THE BOARD

## SHAREHOLDING STRUCTURE

(a) Set out below is the simplified shareholding structure of the Group and CFE Group as at the Latest Practicable Date:

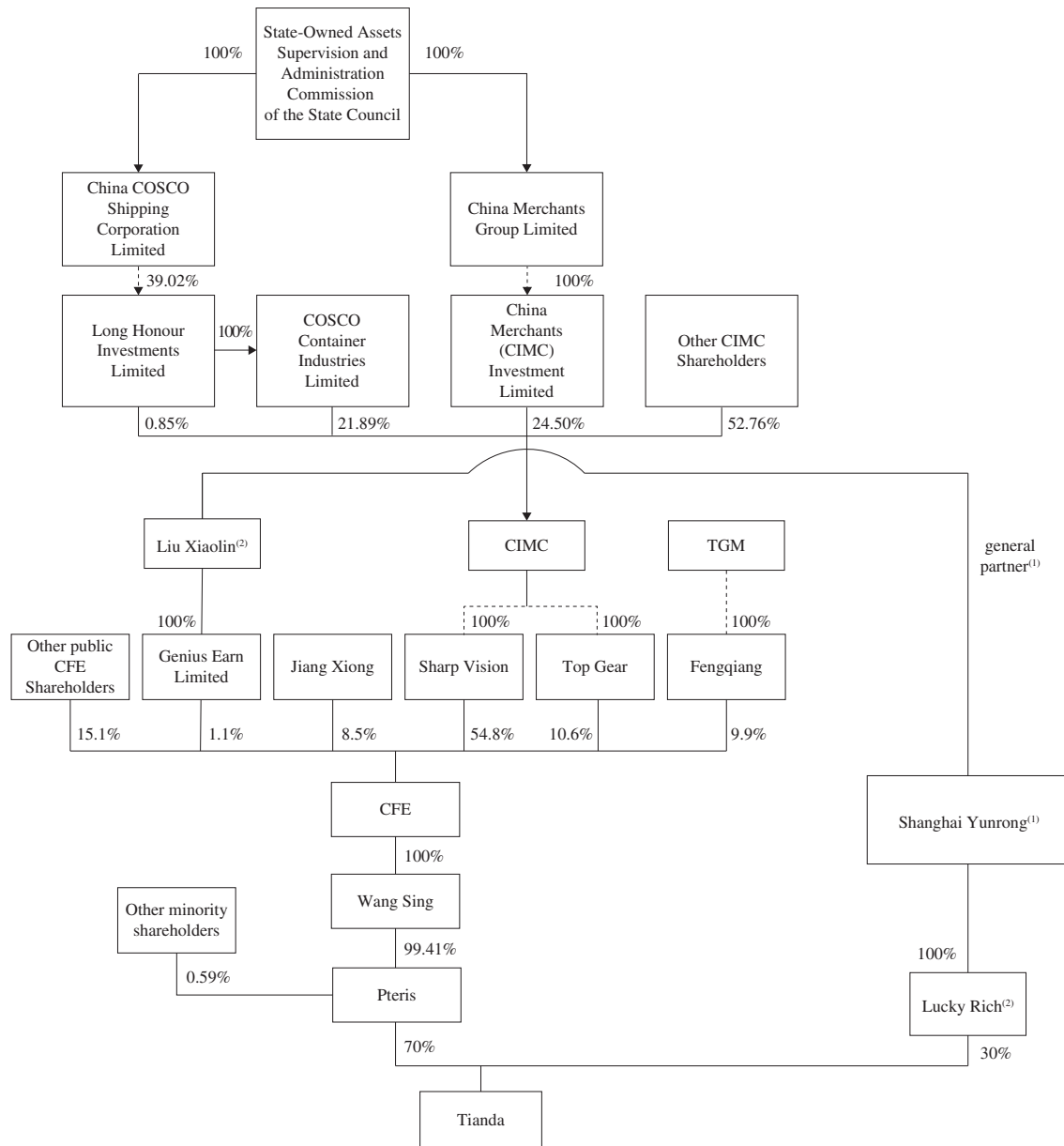


*Notes:*

- (1) Liu Xiaolin is the sole shareholder of one of the two general partners of Shanghai Yunrong, a limited partnership which holds the entire equity interest in Lucky Rich. Liu Xiaolin is also interested in approximately 3.2% equity interest in CFE through his wholly owned company Genius Earn Limited.
- (2) Dotted line denotes indirect shareholding.

## LETTER FROM THE BOARD

(b) Set out below is the simplified shareholding structure of the Group and CFE Group upon Pteris Completion (assuming no TianDa Completion)<sup>(1)</sup>

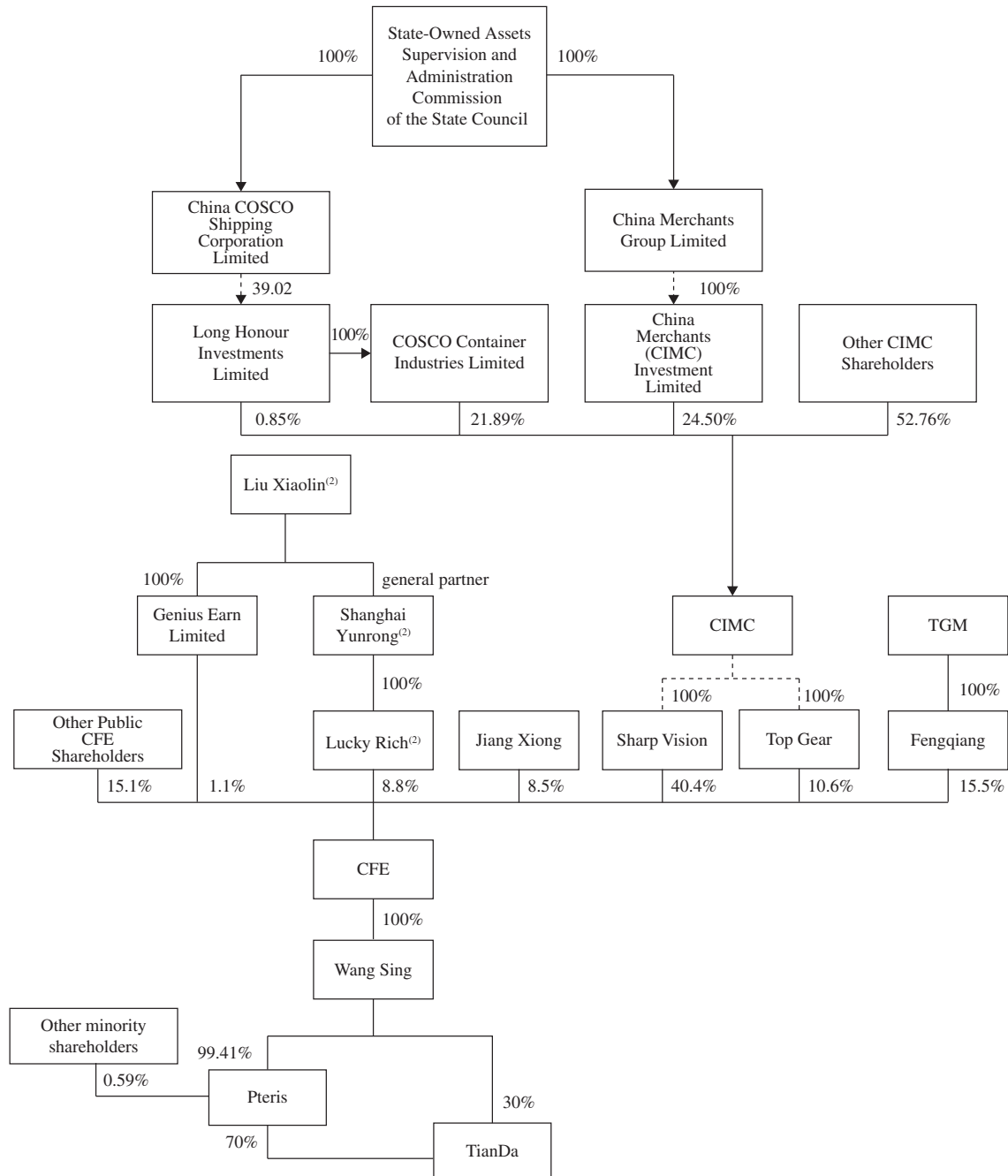


Notes:

- (1) The above shareholding structure is based on the assumption that none of the Convertible Bonds to be issued under the Proposed Pteris Acquisition are converted and none of the outstanding CFE Share Options are exercised.
- (2) Liu Xiaolin is the sole shareholder of one of the two general partners of Shanghai Yunrong, a limited partnership which holds the entire equity interest in Lucky Rich. Liu Xiaolin is also interested in approximately 3.2% equity interest in CFE through his wholly owned company Genius Earn Limited.
- (3) Dotted line denotes indirect shareholding.

## LETTER FROM THE BOARD

- (c) Set out below is the simplified shareholding structure of the Group and CFE Group upon Pteris Completion and TianDa Completion<sup>(1)</sup>



*Notes:*

- (1) The above shareholding structure is based on the assumption that none of the Convertible Bonds to be issued under the Proposed Pteris Acquisition and the Proposed TianDa Acquisition are converted and none of the outstanding CFE Share Options are exercised.
- (2) Liu Xiaolin is the sole shareholder of one of the two general partners of Shanghai Yunrong, a limited partnership which holds the entire equity interest in Lucky Rich. Liu Xiaolin is also interested in approximately 3.2% equity interest in CFE through his wholly owned company Genius Earn Limited.
- (3) Dotted line denotes indirect shareholding.

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## LETTER FROM THE BOARD

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### REASONS FOR AND BENEFITS OF THE PROPOSED RESTRUCTURING

The Directors (including the independent non-executive directors) are of the view that the Proposed Restructuring is fair and reasonable and in the interest of the Shareholders as a whole. The Directors had considered a number of factors, including, among others, the following reasons:

- (a) Upon the Pteris Completion (whether or not the TianDa Completion takes place), CFE will become a non-wholly owned subsidiary of the Company and the financials of CFE will be consolidated into the accounts of the Company, thus enabling the Company to optimize the return and benefit from the future growth and development of CFE. In addition, Pteris will remain as a non-wholly owned subsidiary of the Company and will continue to be consolidated into the accounts of the Company from accounting perspective; hence, the Company will continue to benefit from the future growth and development of Pteris.
- (b) The Proposed Restructuring is a key step for the Group's internal restructuring, consolidation and strengthening of several ancillary business segments of the Group, especially its airport facilities equipment business and the vehicles and special purpose vehicles business. The Company has nominated certain of its senior management to act as CFE Directors since the Company became the controlling shareholder and the single largest shareholder of CFE in 2015, and the Group intends to further develop CFE as its centralized managing platform for the aforesaid ancillary business segments. Both the Group and the CFE Group will further benefit from the Proposed Restructuring through a more synergized operations, management, shareholding structure, sales networks, marketing channels, research and development, financing resources and by leveraging the strong market position and competitiveness of the Group and the CFE Group as a whole.
- (c) The Proposed Restructuring would, upon completion, allow the Group and the CFE Group to realize potential synergies through sharing of technical know-how (in particular the Pteris Group's extensive experience in standardized designing and modular production which allows the CFE Group to improve its product quality), suppliers base, research & development resources and marketing channels, sales and distribution network with the Pteris Group, expansion of the product portfolio offered and benefiting from the potential economy of scale by maximizing the utilization and output of available resources from both the Group and the CFE Group.

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## LETTER FROM THE BOARD

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- (d) Leveraging the close relationship between the Pteris Group and a large number of airport operators worldwide and the Pteris Group's wide service network and storage of product components, the CFE Group will be able to potentially expand its customer base in the PRC and new geographical regions, and obtain strong support in marketing and distribution of the CFE Group's advanced firefighting vehicles in the PRC and new geographical regions, which will benefit the CFE Group and hence the Group as a whole.
- (e) Despite the CFE Group's record of fundraising without credit support from members of the Group (including the Pteris Group) and its ability to finance its operations through internally generated working capital and external borrowings, after the Pteris Completion, the CFE Group can benefit from the financing resources of the Group by utilizing its centralized financing management platform and obtaining intra-group financings in accordance with the relevant requirements (including the Listing Rules and the Shenzhen Listing Rules) and financings from major commercial banks by leveraging the Group's strong market standing, creditworthiness and financial position, which will lower the financing costs and benefit the CFE Group and the Group as a whole.
- (f) Through the Company's centralized procurement platform, the advantage in bargaining as a result of the large-scale centralized procurement will benefit both CFE and the Company as a whole by lowering the overall costs of procurement.

### FINANCIAL EFFECT OF THE PROPOSED RESTRUCTURING

Assuming none of the Convertible Bonds are converted and there is no change in the issued share capital of CFE other than the issue of the Consideration Shares, (i) in the event that only the Pteris Completion takes place, the Company's equity interest in CFE will increase from 30.00% to approximately 65.40% and the Company's indirect equity interests in Pteris will reduce from 78.15% to approximately 65.01%; and (ii) in the event that both the Pteris Completion and the TianDa Completion take place, the Company's equity interest in the CFE will increase from 30.00% to approximately 51.00% and the Company's indirect equity interests in Pteris will reduce from 78.15% to approximately 50.70%.

Consequently, whether or not the TianDa Completion takes place upon completion of the Proposed Restructuring, (i) the Company will obtain control over CFE, and CFE will become a non-wholly owned subsidiary of the Company and CFE's financial results will be consolidated in the Company's consolidated financial statements in accordance with CASBE; and (ii) Pteris will continue to be an indirect non-wholly owned subsidiary of the Company through its shareholding in CFE and Pteris' financial results will continue to be consolidated into the consolidated financial statements of the Company in accordance with CASBE.

As the Proposed Restructuring is effectively a share swap and Pteris will continue to be a non-wholly owned subsidiary of the Company after the Proposed Restructuring, there is no disposal gain or loss of Pteris to be recorded by the Company in its income statement.

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## LETTER FROM THE BOARD

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Furthermore, it is expected that the consideration for the acquisition of CFE exceeds the fair value of the identifiable net assets of CFE as at the date of Pteris Completion, and there would be no gain to be recognised in its income statement. Nevertheless, before the Pteris Completion, CFE is an associate of the Company (through Top Gear), and upon the Pteris Completion, CFE will become a subsidiary of the Company. The Company would re-measure its previously held equity interest in CFE, therefore, a gain or loss may be recognised depending on the difference between fair value of CFE and the carrying amount of the Company's investment in CFE's equity interests at the date of the Pteris Completion.

### IMPLICATIONS UNDER THE LISTING RULES

As one of the applicable percentage ratios under Chapter 14 of the Listing Rules in respect of the Proposed Restructuring is more than 5% but all are less than 25%, the Proposed Restructuring constitutes a discloseable transaction and is subject to the announcement requirement under Chapter 14 of the Listing Rules.

The injection of the businesses of the Pteris Group into CFE by way of disposal of approximately 78.15% equity interest in Pteris by Sharp Vision (an indirect wholly-owned subsidiary of the Company) to Wang Sing (a direct wholly-owned subsidiary of CFE), pursuant to the Pteris Sale and Purchase Agreement constitutes a spin-off of the Company subject to the applicable requirements of Practice Note 15 of the Listing Rules. The Company has submitted a spin-off proposal to the Stock Exchange pursuant to Practice Note 15 of the Listing Rules and the Stock Exchange has indicated that the Company may proceed with the Proposed Restructuring.

### ASSURED ENTITLEMENT

Under Practice Note 15 of the Listing Rules, the Company is required to provide the Shareholders with an assured entitlement to the CFE Shares to be allotted to Sharp Vision under the Proposed Restructuring. Practice Note 15 of the Listing Rules further provides that the minority shareholders may by resolution in general meeting resolve to waive such assured entitlement. The board of the Company has resolved not to provide assured entitlement to the shareholders under the Proposed Restructuring for the following reasons:

- (a) as advised by the Company's PRC legal counsel Commerce & Finance Law Offices, under the current PRC laws and regulations, other than the Provisions on the Foreign Exchange Administration of Overseas Securities Investment of Qualified Domestic Institutional Investors (合格境內機構投資者境外證券投資外匯管理規定) ("QDII") which provides for overseas securities investments by QDII pursuant to certain prescribed quotas, the Company's PRC legal counsel is not aware of any other applicable laws and regulations on offshore securities investments directly made by PRC individuals or institutions. As such, in practice, save for QDII who must be a corporate, as far as the Company is aware, all other persons and entities (including all PRC individuals, and PRC corporations and unincorporated entities who are not QDII) are in general not eligible to hold or engage in transactions involving offshore



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## LETTER FROM THE BOARD

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securities. According to the Company's A-share registration information from the China Securities Depository and Clearing Corporation Limited, it is estimated that approximately 98% of the Company's A-Shareholders are individuals in the PRC. In light of the above, as advised by the Company's PRC legal counsel, a majority of the Company's A-shareholders may be unable to directly hold the CFE Shares unless approved by the relevant competent authorities or having completed the required registration/filing procedures pursuant to the Regulation of the PRC on Foreign Exchange Administration (中華人民共和國外匯管理條例), and such required registration/filing procedures must be completed by the Company's A-Shareholders and could not be completed by the Company;

- (b) any distribution of the CFE Shares would have to be made in proportion to the number of the Company's shares held by the Shareholders. Considering that there is a large number of Shareholders, distributing the CFE Shares to the Shareholders may not be meaningful as the assured entitlement would in most cases give the shareholders odd lots of the CFE Shares which are of no significant value owing to the discount applied to the low marketability of odd-lots shares;
- (c) it is expected that upon the Pteris Completion, CFE will become a non-wholly owned subsidiary of the Company and the financials of CFE will be consolidated into the Company's accounts; thus enabling the Company to optimize the return and benefit from the future growth and development of CFE as well as to allow the Company and CFE to realize potential synergies through sharing of resources and to benefit from the potential economy of scale. As such, it will be in the interest of the Company and its shareholders as a whole for the Company to maintain a controlling interest in CFE; and
- (d) the Proposed Restructuring does not involve any public offering or other offering of new CFE Shares or any other securities of CFE.

As the Company does not have any controlling shareholder, all Shareholders (including the holders of A Shares of CIMC and the holders of H Shares of CIMC) are entitled to vote on the resolution in respect of waiver to the assured entitlement under the Proposed Restructuring at the EGM in accordance with the requirement under Practice Note 15 of the Listing Rules.

### IMPLICATIONS UNDER THE SHENZHEN LISTING RULES

As two of CFE's directors are also senior managements of the Company, the Proposed Restructuring constitutes a related party transaction (關聯方交易) of the Company under the Shenzhen Listing Rules and therefore is subject to the approval by the independent Shareholders. Pursuant to the requirements under the Shenzhen Listing Rules and the Listing Rules, and to the best of the knowledge, information and belief of the Directors, no Shareholder has a material interest in the Proposed Restructuring that is required to abstain from voting, therefore, all Shareholders are entitled to vote on the resolutions to approve the Proposed Restructuring at the EGM.

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## LETTER FROM THE BOARD

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### CONFIRMATION BY THE DIRECTORS

None of the Directors has a material interest in the Proposed Restructuring and the waiver of assured entitlement. No Directors has abstained from voting on the board resolution approving (i) the Proposed Restructuring and (ii) not to provide assured entitlement to the minority Shareholders under the Proposed Restructuring.

### EGM

The EGM will be held at CIMC R&D Centre, 2 Gangwan Avenue, Shekou, Nanshan District, Shenzhen, Guangdong, the PRC at 2:45 p.m. on Friday on 9 February 2018, at which ordinary resolutions to approve the Proposed Restructuring and the waiver of the assured entitlement under the Proposed Restructuring will be proposed at the EGM. A form of proxy and the reply slip for use at the EGM are enclosed with the EGM Notice.

The EGM Notice has been despatched to Shareholders on 22 December 2017.

For those who intend to appoint a proxy to attend the EGM, please complete and return the form of proxy in accordance with the instructions printed thereon. To be valid, for holders of A Shares, the form of proxy, together with the power of attorney or other authority, if any, under which if it is signed, or a certified copy of such power or authority, must be delivered to the office of the secretary of the Board of Directors of the Company at CIMC R&D Centre, 2 Gangwan Avenue, Shekou, Nanshan District, Shenzhen, Guangdong 518067, the PRC not less than twenty-four hours before the time appointed for holding the EGM. In order to be valid, for holders of H Shares, the above documents must be delivered to the H Share Registrar at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not less than twenty-four hours before the time appointed for holding the EGM or any adjournment thereof.

### CLOSURE OF SHARE REGISTER

The register of members of H Shares of the Company will be closed from 9 January 2018 to 9 February 2018 (both days inclusive), during which time no share transfers of H Shares will be effected. For those holders of H Shares who intend to attend the EGM, the share certificates accompanied by the transfers of Shares must be delivered to the H Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong no later than 4:30 p.m. on Monday, 8 January 2018. The holders of the Company's H Shares whose names appear on the register of members of the Company on 5 February 2018 are entitled to attend the EGM and vote in respect of the resolution to be proposed at the EGM.

The Articles of Association provides that the Shareholders who intend to attend the EGM shall lodge a written reply to the Company twenty days before the date of the EGM.

You are requested to complete and return the form of proxy and reply slip whether or not you intend to attend the EGM. Completion and return of the form of proxy will not preclude you from attending and voting at the EGM (or any adjournment thereof) should you so wish.

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## LETTER FROM THE BOARD

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### VOTING BY POLL

Pursuant to Rule 13.39(4) of the Listing Rules and the Articles of Association, any vote of Shareholders at a general meeting must be taken by poll.

### INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

Pursuant to the Listing Rules, an Independent Board Committee comprising all of the Company's independent non-executive Directors, namely Mr. Pan Zhengqi, Mr. Pan Chengwei and Mr. Wong Kwai Huen, Albert, has been formed to advise the Shareholders as to whether the Proposed Restructuring and the waiver of assured entitlement under the Proposed Restructuring are in the interests of the Company and the Shareholders as a whole and to advise the Shareholders on how to vote in relation to the ordinary resolutions to be proposed to approve the Proposed Restructuring and the waiver of the assured entitlement under the Proposed Restructuring, taking into account the advice of the Independent Financial Adviser.

RaffAello Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Shareholders as to whether the Proposed Restructuring and the waiver of the assured entitlement under the Proposed Restructuring are in the interests of the Company and the Shareholders as a whole and to advise the Shareholders on how to vote in respect of the Proposed Restructuring and the waiver of the assured entitlement under the Proposed Restructuring at the EGM.

### RECOMMENDATIONS

Your attention is drawn to (a) the letter from the Independent Board Committee set out on page 34 of this circular; and (b) the letter from the Independent Financial Adviser to the Independent Board Committee and the Shareholders set out on pages 35 to 61 of this circular.

The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, considers that the Proposed Restructuring and the waiver of the assured entitlement under the Proposed Restructuring are on normal commercial terms which are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Proposed Restructuring and waive the assured entitlement under the Proposed Restructuring.

Yours faithfully,  
For and on behalf of the Board  
**China International Marine Containers  
(Group) Company Limited**  
**Yu Yu Qun**  
*Company Secretary*

Shenzhen, the PRC



**CHINA INTERNATIONAL MARINE CONTAINERS (GROUP) CO., LTD.**

**中國國際海運集裝箱(集團)股份有限公司**

*(a joint stock company incorporated in the People's Republic of China with limited liability)*

**(Stock Code: 2039)**

24 January 2018

*To the Shareholders*

Dear Sir or Madam,

**DISCLOSEABLE TRANSACTION – PROPOSED RESTRUCTURING  
AND  
WAIVER OF ASSURED ENTITLEMENT**

We refer to the circular of China International Marine Containers (Group) Limited dated 24 January 2018 (the “**Circular**”) of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

We have been authorized by the Board to form the Independent Board Committee to advise the Shareholders on whether the Proposed Restructuring and the waiver of the assured entitlement under the Proposed Restructuring are in the interests of the Company and the Shareholders as a whole.

RaffAello Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Shareholders in this regard. We wish to draw you attention to letter from RaffAello Capital as set out on page 35 to 61 of the Circular and the letter from the Board as set out on pages 9 to 33 of the Circular.

Having considered, among others, the factors and reasons considered by, and the advice of the Independent Financial Adviser as set out in its letter of advice, we consider that each of the Proposed Restructuring and the waiver of the assured entitlement under the Proposed Restructuring are on normal commercial terms which are fair and reasonable and in the interest of the Company and the Shareholders as a whole. We therefore recommend Shareholders to vote in favour of the ordinary resolutions to approve the Proposed Restructuring and the waiver of the assured entitlement under the Proposed Restructuring at the EGM.

Yours faithfully

For and on behalf of the Independent Board Committee of

**China International Marine Containers (Group) Company Limited**

**Pan Zhengqi**

**Pan Chengwei**

**Wong Kwai Huen, Albert**

*Independent Non-executive Directors*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the letter of advice from RaffAello Capital Limited to the Independent Board Committee and the Shareholders prepared for the purpose of inclusion in this circular.*



RaffAello Capital Limited  
Rm 2002, Tower Two, Lippo Centre,  
89 Queensway, Admiralty, Hong Kong

24 January 2018

**To the Independent Board Committee and  
the Shareholders  
China International Marine Containers (Group) Co., Ltd.**

Dear Sirs,

**(1) DISCLOSEABLE TRANSACTION  
AND  
(2) WAIVER TO THE ASSURED ENTITLEMENT  
UNDER THE PROPOSED RESTRUCTURING**

### INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Shareholders of the Company in respect of the discloseable transaction pursuant to the Pteris Sale and Purchase Agreement and the waiver to assured entitlement under the Proposed Restructuring, the details of which are set out from the Letter from the Board (the “**Letter**”) contained in the circular dated 24 January 2018 (the “**Circular**”), of which this letter forms part. Capitalized terms used in this letter shall have the same respective meanings as defined in the Circular unless the context requires otherwise.

As stated in the joint announcement of the Company dated 4 December 2017 (the “**Joint Announcement**”), the Proposed Restructuring refers to the proposed disposal of approximately 78.15% equity interest in Pteris by Sharp Vision to CFE at a consideration of RMB2,992,459,264 to be satisfied by CFE issuing (i) 6,326,428,570 Consideration Shares, representing approximately 54.8% of the issued share capital of CFE as enlarged by the allotment and issuance of the Consideration Shares in respect of the Proposed Pteris Acquisition (or, 4,664,472,279 Consideration Shares if the Proposed TianDa Acquisition takes place, representing approximately 40.4% of the issued share capital of CFE as enlarged by the allotment and issuance of Consideration Shares in respect of the Proposed Acquisitions), and (ii) the Convertible Bonds in the principal amount of RMB1,024,307,336, representing approximately 20.2% of the issued share capital of CFE as enlarged by the allotment and issuance of the Consideration Shares in respect of the Proposed Pteris Acquisition and upon full conversion of the Convertible Bonds of CFE issued in respect of the Proposed Pteris Acquisition (or, the Convertible Bonds in the principal amount of RMB1,541,341,938 if the Proposed TianDa Acquisition has taken place, representing approximately 27.1% of the issued

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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share capital as enlarged by the allotment and issuance of Consideration Shares in respect of the Proposed Acquisitions and upon full conversion of the Convertible Bonds), pursuant to the Pteris Sale and Purchase Agreement, which is a key step for the Group's internal restructuring, consolidation and strengthening of the several ancillary business segments.

Under Practice Note 15 of the Listing Rules, the Company is required to provide its shareholders with an assured entitlement to the CFE Shares to be allotted to Sharp Vision under the Proposed Restructuring. Practice Note 15 of the Listing Rules further provides that the minority shareholders may by resolution in general meeting resolve to waive such assured entitlement.

We have been appointed by the Company to advise the Independent Board Committee, comprising all the independent non-executive Directors, and the Shareholders as to whether or not (i) the terms under the Pteris Sale and Purchase Agreement under the Proposed Restructuring are fair and reasonable and in the interests of the Company and the Shareholders as a whole; (ii) the waiver to the assured entitlement under the Proposed Restructuring is in the interests of the Company and the Shareholders as a whole; and (iii) the Shareholders should vote in favour of the Proposed Restructuring (including the waiver to the assured entitlement) at the EGM.

### **BASIS OF OUR OPINION**

In formulating our opinions, advice and recommendations to the Independent Board Committee and the Shareholders, we have relied upon the accuracy of the information and representations contained or referred in the Circular and information and facts provided to us and representations and opinions expressed, by the Directors and/or management of the Company and the advisers to the Proposed Restructuring. We have assumed that all statements, information and facts, and representations provided whether or not in the Circular and opinions expressed to us are true, accurate and complete in all material aspects at the time they were made and remain true, accurate and complete as at the date thereof and has been properly extracted from the relevant underlying accounting records (in case of financial information) and made after due and careful enquiry by the Directors and/or management of the Company.

We have no reason to doubt on the truth, accuracy and completeness of the information and facts as well as representations and opinions provided to us by the Directors and management of the Company and the advisers to the Proposed Restructuring, and have been confirmed by the Directors and management of the Company that no material facts and representations the omission of which would make any statement in the Circular, including this letter, untrue, inaccurate or misleading.

We have also relied on certain information available to the public and have assumed such information to be accurate and reliable. Where there is no official English translation for the relevant Chinese terms used in this letter, the English translated terms are provided only to the Company's and our best knowledge. Our review and analyses were based upon, among others, the information provided by the Group including the Pteris Sale and Purchase Agreement, the

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Company's annual report for the year ended 31 December 2016 (the "**2016 Annual Report**"), and its interim report for the six months ended 30 June 2017 (the "**2017 Interim Report**"), the annual report of the CFE Group for the year ended 31 December 2016 (the "**CFE 2016 Annual Report**"), the interim report of the CFE Group for the six months ended 30 June 2017 (the "**CFE 2017 Interim Report**") and the annual report of the Pteris Group for the year ended 31 December 2016 (the "**Pteris 2016 Annual Report**"), respectively, and the Circular. We have also discussed with the Directors and/or management of the Company with respect to the terms of and reasons for entering into the Pteris Sale and Purchase Agreement as well as the reasons of the board of the Company for not providing the assured entitlement to the Company's Shareholders but to seek to waive such assured entitlement under the Proposed Restructuring.

The Directors have jointly and severally accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, after having made all reasonable enquires, which to the best of their knowledge and belief, there are no other fact the omission of which would make any statement in the Circular untrue, inaccurate or misleading. We consider that we have been provided sufficient information currently available to reach an informed view and to provide a reasonable basis for our recommendation. We have not, however, conducted any independent in-depth investigation into the business, affairs, operations, financial position and prospects of the Group and the related parties to the Proposed Restructuring, nor have we carried out any independent verification of the information provided to us by the Company, or its subsidiaries or associates.

This letter is issued for the information for the Independent Board Committee and the Shareholders solely in connection with their considerations of the terms under the Pteris Sale and Purchase Agreement and the waiver to the assured entitlement under the Proposed Restructuring. This letter, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purpose, without our prior written consent.

### INDEPENDENCE DECLARATION

As at the Latest Practicable Date, RaffAello Capital Limited does not have any relationships or interests with the Company or any of its related parties, and did not have any other services provided to the Company in the past two years that could be reasonably regarded as a hindrance to RaffAello Capital Limited's independence as defined under Rule 13.84 of the Listing Rules to act as the Independent Financial Adviser to the Independent Board Committee and the Shareholders in respect of the discloseable transaction and waiver to the assured entitlement under the Proposed Restructuring.

### PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinions and recommendations in respect of the terms under the Pteris Sale and Purchase Agreement and the waiver to the assured entitlement under the Proposed Restructuring to the Independent Board Committee and the Shareholders, we have taken into consideration, *inter alia*, the following principal factors and reasons. Our conclusions are based on the results of all analyses taken as a whole.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### I. Background

#### 1. *Background of the Proposed Restructuring*

On 4 December 2017, Wang Sing, CFE, Sharp Vision and Fengqiang entered into the Pteris Sale and Purchase Agreement, pursuant to which, among others, Wang Sing has conditionally agreed to acquire and Sharp Vision and Fengqiang have conditionally agreed to sell, the Pteris Sale Shares, representing approximately 78.15% and 21.26%, respectively, of the issued share capital of Pteris, which directly owns 70% equity interest in TianDa.

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

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

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

- (i) RMB2,992,459,264 payable to Sharp Vision shall be satisfied by the issuance of 4,664,472,279 Consideration Shares by CFE at the issue price of HK\$0.366 per CFE Share and Convertible Bonds in the principal amount of RMB1,024,307,336 to Sharp Vision (or its nominee(s)) on the date of the Pteris Completion; and:
  - (a) if TianDa Conditions are not satisfied (or waived, as the case may be) on or before the Long Stop Date, an additional of 1,661,956,291 Consideration Shares shall be issued by CFE within ten business days after the Long Stop Date. In such case, a total of 6,326,428,570 Consideration Shares and Convertible Bonds in the principal amount of RMB1,024,307,336 will be allotted and issued to Sharp Vision (or its nominee(s)); or
  - (b) if the TianDa Conditions are satisfied (or waived, as the case may be) on or before the Long Stop Date, additional Convertible Bonds in the principal amount of RMB517,034,602 shall be issued by CFE within ten business days after the date of the TianDa Completion. In such case, a total of 4,664,472,279 Consideration Shares and Convertible Bonds in the principal amount of RMB1,541,341,938 will be allotted and issued to Sharp Vision (or its nominee(s)); and



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (ii) RMB814,071,452 payable to Fengqiang shall be satisfied by the issuance of 956,000,000 Consideration Shares by CFE at the issue price of HK\$0.366 per CFE Share and Convertible Bonds in the principal amount of RMB256,904,950 to Fengqiang (or its nominee(s)) on the date of the Pteris Completion, and:
  - (a) if the TianDa Conditions are not satisfied (or waived, as the case may be) on or before the Long Stop Date, an additional of 187,679,470 Consideration Shares and additional Convertible Bonds in the principal amount of RMB201,367,819 shall be issued by CFE within ten business days after the Long Stop Date. In such case, a total of 1,143,679,470 Consideration Shares and Convertible Bonds in the principal amount of RMB458,272,769 will be allotted and issued to Fengqiang (or its nominee(s)); or
  - (b) if the TianDa Conditions are satisfied (or waived, as the case may be) on or before the Long Stop Date, an additional of 834,956,291 Consideration Shares shall be issued by CFE within ten business days after the date of the TianDa Completion. In such case, a total of 1,790,956,291 Consideration Shares and Convertible Bonds in the principal amount of RMB256,904,950 will be allotted and issued to Fengqiang (or its nominee(s)).

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

- (i) RMB2,992,459,264 payable to Sharp Vision shall be satisfied by the issuance of 4,664,472,279 Consideration Shares by CFE at the issue price of HK\$0.366 per CFE Share and Convertible Bonds in the principal amount of RMB1,541,341,938 to Sharp Vision (or its nominee(s)); and
- (ii) RMB814,071,452 payable to Fengqiang shall be satisfied by the issuance of 1,790,956,291 Consideration Shares by CFE at the issue price of HK\$0.366 per CFE Share and Convertible Bonds in the principal amount of RMB256,904,950 by CFE to Fengqiang (or its nominee(s)).

As stated in the Letter, as one of the applicable percentage ratios under Chapter 14 of the Listing Rules in respect of the Proposed Restructuring is more than 5% but all are less than 25%, the Proposed Restructuring constitutes a discloseable transaction of the Company and is subject to the announcement requirement under Chapter 14 of the Listing Rules. Besides, the injection of the businesses of Pteris Group into CFE by way of disposal of approximately 78.15% equity interest in Pteris by Sharp Vision, being an indirect wholly-owned subsidiary of the Company, to Wang Sing, being a direct wholly-owned subsidiary of CFE, pursuant to the Pteris Sale and Purchase Agreement constitutes a spin-off of the Company subject to the applicable requirements of Practice Note 15 of the Listing Rules. The Company has submitted a spin-off proposal to the Stock Exchange pursuant to Practice Note 15 of the Listing Rules and the Stock Exchange has indicated that the Company may proceed with the Proposed Restructuring.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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In addition, as stated in the Letter, the Proposed Restructuring constitutes a related party transaction (關聯方交易) of the Company under the Shenzhen Listing Rules and therefore is subject to the approval by the independent Shareholders of the Company.

### **2. Information on the relevant parties of the Proposed Restructuring**

#### *(a) The Company, the Group and Sharp Vision*

As stated in the Letter, the Company is a company established in the PRC with limited liability, the A shares of which are listed on the Shenzhen Stock Exchange and the H shares of which are listed on the Main Board of the Stock Exchange. As stated in the Letter, as at the Latest Practicable Date, the Company (through a wholly-owned subsidiary, Top Gear) is interested in approximately 30% of the total issued shares capital of CFE and is the indirect controlling shareholder of CFE.

The Group is principally engaged in the container manufacturing business, road transportation vehicle business, energy, chemical and liquid food equipment business, offshore engineering business, logistic service business and airport facilities equipment business.

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

#### *(b) Pteris and the Pteris Group*

As stated in the Letter, Pteris is a company incorporated in Singapore with limited liability and an indirect non-wholly owned subsidiary of the Company. As at the Latest Practicable Date, Pteris is directly owned by Sharp Vision and Fengqiang as to approximately 78.15% and 21.26%, respectively. The remaining 0.59% is held by approximately 450 individuals and companies.

As stated in the Letter, the Pteris Group (including TianDa Group) is one of the world's largest suppliers of passenger boarding bridges and a leading integrated solutions provider of airport facility equipment in the PRC including airport logistic systems and airport apron buses. The principal assets of the Pteris Group include: (i) its 70% equity interest in TianDa, which is the principal operating subsidiary of Pteris in the business of passenger boarding bridges (including bridges related business); and (ii) its baggage and material handling business and ground support equipment business. The Pteris Group's ground support equipment business includes design and manufacture of airport shuttle bus, catering truck, airport platform vehicle.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Set out below is a summary of certain audited financial information of the Pteris Group for the two financial years ended 31 December 2016 prepared in accordance with Singapore Financial Reporting Standards as set out from the Letter:

	<b>For the year ended 31 December 2016<sup>(1)</sup> RMB'000 (audited)</b>	<b>For the year ended 31 December 2015<sup>(2)</sup> RMB'000 (audited)</b>	<b>Change from 2015 to 2016 %</b>
<b>Revenue</b>	1,522,790	1,565,874	(2.8)
<b>Net profit before tax</b>	131,574	100,246	31.3
<b>Net profit after tax</b>	111,790	84,075	33.0
	<b>As at 31 December 2016<sup>(1)</sup> RMB'000 (audited)</b>	<b>As at 31 December 2015<sup>(2)</sup> RMB'000 (audited)</b>	<b>Change from 2015 to 2016 %</b>
<b>Net asset value</b>	1,307,105	1,158,486	12.8

*Notes:*

- (1) Based on the exchange rate of SGD: RMB: 1:4.7995 published by the People's Bank of China on 30 December 2016.
- (2) Based on the exchange rate of SGD: RMB: 1:4.5875 published by the People's Bank of China on 31 December 2015.

As shown on the above table, although the Pteris Group recorded a relatively stable level of revenue despite a slight decrease of approximately 2.8% for the year ended 31 December 2016 as compared to the year ended 31 December 2015, the Pteris Group recorded an increase in net profit after tax of approximately RMB27.7 million, or 33.0% for the year ended 31 December 2016. Based on the Pteris 2016 Annual Report and as advised by the management, the increase in net profit after tax was mainly attributable to the decline in material cost and subcontracting cost of approximately RMB96.9 million and RMB51.1 million respectively.

(c) *CFE, the CFE Group and Wang Sing*

As stated in the Letter, CFE is a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As also stated in the Letter, the CFE Group is principally engaged in the production and sale of fire engines, and production and sale of fire prevention and fighting equipment. As at the Latest Practicable Date, (i) Top Gear (a wholly-owned subsidiary of the Company) is the direct controlling shareholder of CFE which holds approximately 30.0% of the total issued share capital of CFE; and (ii) Mr. Jiang Xiong was a substantial shareholder of CFE who holds approximately 24.1% of the total issued share capital of the CFE.

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

A summary of certain audited financial information of the CFE Group as extracted from the CFE 2016 Annual Report and certain unaudited financial information extracted from the CFE 2017 Interim Report is set out below:

	For the six months ended 30 June 2017 <i>RMB'000</i> (unaudited)	For the six months ended 30 June 2016 <i>RMB'000</i> (unaudited)	Change from 2016.06 to 2017.06 %	For the year ended 31 December 2016 <i>RMB'000</i> (audited)	For the year ended 31 December 2015 <i>RMB'000</i> (audited)	Change from 2015 to 2016 %
Revenue	249,455	228,847	9.0	471,252	565,178	(16.6)
Net profit before tax	13,417	7,384	81.7	24,872	51,165	(51.4)
Net profit after tax	7,806	3,097	152.1	17,286	30,444	(43.2)
	As at 30 June 2017 <i>RMB'000</i> (unaudited)	As at 30 June 2016 <i>RMB'000</i> (unaudited)	Change from 2016.06 to 2017.06 %	As at 31 December 2016 <i>RMB'000</i> (audited)	As at 31 December 2015 <i>RMB'000</i> (audited)	Change from 2015 to 2016 %
Net asset value	1,093,211	1,017,871	7.4	1,052,999	1,006,587	4.6

As shown on the above table, the CFE Group recorded a decrease of approximately 16.6% and 43.2%, respectively, in revenue and net profit after tax, respectively, for the year ended 31 December 2016 as compared to the year ended 31 December 2015. According to CFE 2016 Annual Report, the drop in revenue was mainly because of the decrease in sales of the fire engines and fire prevention and fighting equipment and the decrease in net profit for the year was attributable to: (i) the decrease in share of profit of associates; and (ii) the provision for a rental dispute amounting to RMB16 million.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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However, the CFE Group's financial performance was improving during the first half of 2017, recording an increase in revenue and net profit after tax of approximately RMB20.6 million and RMB4.7 million, or 9.0% and 152.1%, respectively for the six months ended 30 June 2017 as compared to the corresponding period in 2016. According to the CFE 2017 Interim Report, the increase in revenue was mainly because of the growth in number of fire engines sold. Apart from the growth in revenue, the increase in net profit after tax was attributable to the improved performance of the Group's associate, Albert Ziegler GmbH ("**Ziegler**"), a German fire engines manufacturer, giving rise to the increase in the Group's share of its profit.

### II. Analysis on the Reasons for and Benefits of the Proposed Restructuring

#### *(a) Adding value to the financial performance and financial position of the Group*

Upon the Pteris Completion (whether or not the TianDa Completion takes place upon completion of the Proposed Restructuring), the Company's equity interest in CFE will increase to the extent that the Company will obtain control over CFE, and CFE will become a non-wholly owned subsidiary of the Company and CFE's financial results will be consolidated in the Company's consolidated financial statements in accordance with CASBE; while Pteris will continue to be an indirect non-wholly owned subsidiary of the Company through its shareholding in CFE and Pteris' financial results will continue to be consolidated into the consolidated financial statements of the Company in accordance with CASBE.

As mentioned above, although the CFE Group recorded a decrease in revenue and net profit after tax of approximately 16.6% and 43.2% for the year ended 31 December 2016 as compared to the year 2015, the financial performance of the CFE Group improved during the first half of 2017. As disclosed in the CFE 2017 Interim Report, to expand CFE Group's geographical coverage and to catch up with its foreign counterparts, the CFE Group has been powering up its product development capacity through (i) investment and acquisitions of advanced foreign fire engines manufacturers; and (ii) strengthening its internal development function. Besides, the CFE Group is pressing on the development of the aerial lift fire engines (such as the aerial platform trucks, ladder trucks and aerial lift spray trucks) and new models of rescue vehicles and fire extinguishing systems. To achieve long-term growth, the CFE Group would also design and develop new models of fire engines and fire equipment that are equipped with new functions to catch up the ever-changing market needs, and acquiring new production technologies so as to enhance its competitiveness.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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According to Grand View Research Inc.<sup>1</sup>, the global fire trucks market was valued at USD4.30 billion in 2015 and is projected to reach USD7.41 billion by 2024, which represent a compound annual growth rate (“CAGR”) of approximately 6.2% during such period. In particular, demand for fire truck in China was valued at over USD650 million in 2015 as high production capacity coupled with inexpensive labor are expected to be the driving forces for rising demand and supply for fire trucks in China. In addition, growing application in manufacturing sector and residential sector is expected to aid market growth in China. The further expected growing global demand for fire trucks was owing to rising penetration in application segments, including residential & commercial, enterprises & airports, and military, and is expected to drive market growth. Besides, the growing infrastructure in the developing countries including India, China, South Korea coupled with increasing awareness regarding fire safety is expected to drive the demand for fire trucks over the next eight years. The demand in enterprises and airports for fire apparatus and increasing governmental regulations towards ensuring fire safety compliance is expected to be a contributing factor for market growth across the globe.

Therefore, the Proposed Restructuring could allow the Group to benefit from the improving financial performance and potential growing market of the CFE Group while continuing to enjoy the future growth and development of Pteris from the perspective of consolidated financial statements in accordance with CASBE.

***(b) More centralized management and control over various ancillary business segments of the Group***

As stated in the Letter, the Directors believe that the Proposed Restructuring is a key step for the Group’s internal restructuring, consolidation and strengthening of the several ancillary business segments, especially its airport facilities equipment business and the vehicles and special purpose vehicles business. The Company has nominated certain of its senior management to act as directors of CFE since the Company became the controlling shareholder and the single largest shareholder of CFE in 2015, and the Group intends to further develop CFE as its centralized managing platform for the aforesaid ancillary business segments. As mentioned, the CFE Group is principally engaged in the production and sale of fire engines, and production and sale of fire prevention and fighting equipment while the Pteris Group’s ground support equipment business includes design and manufacture of airport shuttle bus, catering truck, airport platform vehicle. By centralizing the control and management of these complementing and ancillary vehicle-related businesses, the Proposed Restructuring would allow both the Group and CFE Group to benefit from a more synergized operation, management, shareholding structure, sales networks, marketing channels, research and development, financing resources and by leveraging the strong market position and competitiveness of the Group and CFE Group as a whole.

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<sup>1</sup> Grand View Research, Inc. is a U.S. based market research and consulting company, registered in the State of California and headquartered in San Francisco.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The Proposed Restructuring for the consolidation and strengthening of the synergized businesses is also in line with the recent PRC government initiatives to speed up the mergers and acquisitions of local state-owned enterprises. For instance, according to People.cn (人民網)<sup>2</sup>, the proposed 《省屬國有企業布局結構調整優化方案》 (Optimization Program for State-owned Enterprises Structure Adjustment at Provincial Levels) aimed at setting up a plan to adjust and reorganize different state owned enterprises and to integrate the hydropower, engineering tunnels, financial, highway, airport, port and other similar assets at different provincial levels.

Therefore, via consolidating the management and control over various ancillary business segments, the Group could benefit from more centralized operation, efficiency of resource allocation and strengthening of the overall competitiveness.

***(c) Potential synergic effect and and cost savings through sharing of resources and network***

As stated in the Letter, the Proposed Restructuring would, upon completion, allow the Group and CFE Group to realize potential synergies through sharing of technical know-how (in particular the Pteris Group's extensive experience in standardized designing and modular production which allows the CFE Group to improve its product quality), suppliers base, research & development resources and marketing channels, sales and distribution network with the Pteris Group, expansion of the product portfolio offered and benefiting from the potential economies of scale by maximizing the utilization and output of available resources from both the Group and CFE Group after the Proposed Restructuring. Besides, by leveraging the relationship between the Pteris Group's extensive airport operators worldwide and the Pteris Group's wide service network and storage of product components, the CFE Group will be able to potentially expand its customer base in the PRC and other new geographical regions, and obtain strong support in marketing and distribution of the CFE Group's advanced firefighting vehicles in the PRC and new geographical regions, which will benefit the CFE Group and hence the Group as a whole. In addition, through the Group's centralized procurement platform, the advantage in bargaining as a result of the large-scale centralized procurement will benefit both CFE and the Group as a whole by lowering the overall costs of procurement.

As mentioned, the CFE Group is principally engaged in the production and sale of fire engines, and production and sale of fire prevention and fighting equipment while the Pteris Group is mainly engaged in provision of passenger boarding bridges and is a global integrated solutions provider of airport facility equipment including airport logistic systems (baggage handling and material handling) and ground support equipment and a leading domestic provider of automated logistic systems. By combining both of their resources and sales and distribution network, the Proposed Restructuring could enable the CFE Group and Pteris Group to achieve potential synergy effects so as to expand their marketing channel and customer base, and to ultimately benefit the Group as a whole.

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<sup>2</sup> People.cn is a large-scale news platform built by People's Daily, one of the top ten newspaper in the world.



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*(d) Facilitating the expansion plan of CFE Group and profitability to the Group*

As stated in the Letter, after the Pteris Completion, CFE will become a non-wholly owned subsidiary of the Company and CFE's financial results will be consolidated in the Company's consolidated financial statements, such that the CFE Group can benefit from the financing resources of the Group by utilizing the Group's centralized financing management platform and obtaining intra-group financings in accordance with the relevant requirements (including the Listing Rules and the Shenzhen Listing Rules) and financings from major commercial banks by leveraging the Group's strong market standing, creditworthiness and financial position, which will lower the financing costs and benefit the CFE Group and the Group as a whole after the Proposed Restructuring.

The Group had similar successful experience in turning around the business performance of its subsidiaries and aiding their expansion plan with the strong financial support. As stated in the Letter, in 2012, before the Company first made its investment in Pteris, Pteris was in dire financial conditions, as it was operating at substantial losses with limited capital inflows. Such major losses resulted in the Pteris Group being unable to obtain additional trade financing and bank facilities to support its overseas projects and ongoing working capital requirements. However, since 2012, with substantial investments made by the Company and by leveraging the Company's expertise, marketing and distribution channels and technological know-how, Pteris expanded its product and services offerings from baggage handling system to passenger boarding bridges, ground support equipment, materials handling system, platform vehicles, catering trolleys and various other core airport facilities and components.

As disclosed in the CFE 2017 Interim Report, the CFE Group has been actively seeking investments and acquisitions with potential targets manufacturing and sale of fire engines and fire equipment worldwide to expand CFE Group's geographical coverage and to power up its product development capacity. Besides, as disclosed in the Joint Announcement, the CFE Group proposed to conduct further fundraising exercises through placing of shares to, among others, upgrade the existing spraying and laser welding production lines or building new production lines; construction of a new PBB factory in the U.S.; enhancing research and development activities, including but not limited to those relating to visually intelligent docking guidance system for the PBB, fully automated connection systems for the PBB and GSE business segments and automated guided vehicles for the MHS and APS business segments, etc. In such regard, the Proposed Restructuring could actually allow the CFE Group to tap in the financial resources of the Group via centralized financial management and to leverage the Group's strong market standing, creditworthiness and financial position. On the other hand, the Group would benefit from the potential growth and development of the CFE Group's business expansion plan through its increasing equity interest in CFE after the Pteris Completion.

Based on the aforesaid reasons and expected benefits of the Proposed Restructuring to the Group, we are of the view that the Proposed Restructuring is fair and reasonable insofar the Company and the Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.



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### III. Basis of Consideration for the Proposed Restructuring

#### 1. Consideration

As set out in the Letter, the aggregate consideration of the Proposed Pteris Acquisition of approximately RMB3,806,530,716 of which RMB2,992,459,264 shall be payable to Sharp Vision and RMB814,071,452 shall be payable to Fengqiang was determined after arm's length negotiations between the parties to the Pteris Sale and Purchase Agreement with reference to, among other things, (i) the track record and business prospects of the Pteris Group; (ii) the financial conditions of the CFE Group and the Pteris Group, in particular, their respective profitability; (iii) the expected synergies to be achieved between the CFE Group and the Pteris Group after completion of the Proposed Pteris Acquisition; (iv) the financial information (e.g. net profits and book value) of a number of comparable companies listed on the PRC and overseas stock exchanges; and (v) the earnings multiples of precedent transactions, including P/E ratio, relating to the acquisition of companies engaging in similar businesses to that of the businesses engaged by the Pteris Group.

In order to assess the fairness and reasonableness of the consideration of the Proposed Pteris Acquisition, the Directors compared the Pteris Group with other comparable companies (the “**Comparables**”) in determining the Consideration. We discussed with the management of the Company and reviewed the Comparables selected and the information provided by the Company which is on a best effort basis with selection criteria including but not limited to (i) their business, including major passenger boarding bridge suppliers, logistics integration suppliers, airport ground supporting equipment suppliers, automated warehouses and materials handling systems suppliers and airport maintenance services providers; and (ii) which are listed on the PRC or overseas stock exchanges. Based on the criteria above, we are of the view that the Comparables are fair and representable samples.

Name of the listed company	Stock Code	Business	Market Capitalization <sup>(1)</sup> (RMB billion)	EV/EBITDA <sup>(2)</sup> (times)	P/E <sup>(3)</sup> (times)
John Bean Technologies Corp	JBT US	Provides technology solution, and designs, manufactures, tests, and services systems and products for global industrial food processing customers and for domestic and international air transportation customers through its JBT AeroTech segment globally	24.4	26.2	41.1

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Name of the listed company	Stock Code	Business	Market Capitalization <sup>(1)</sup> (RMB billion)	EV/ EBITDA <sup>(2)</sup> (times)	P/E <sup>(3)</sup> (times)
Interroll Holding AG	INRN SW	Produces components and systems for the storage and distribution of goods, including conveyor rollers, bulk storage, dynamic storage, and automation equipment globally, with geographical focus on Europe, Middle East, Africa.	7.9	17.3	32.8
SIA Engineering Co Ltd	SIE SP	Provides airframe and component overhaul services, line maintenance and technical ground handling services, and manufactures of aircraft cabin equipment, refurbishes aircraft galleys, repairs and overhauls hydromechanical aircraft equipment globally, with geographical focus in Singapore.	17.4	26.6	20.6
Nanjing Inform Storage Equipment Co Ltd	603066 CH	Manufactures a variety of racks and shelves for storage with principal focus in PRC market.	3.9	42.2	44.5
Weihai Guangtai Airport Equipment Co Ltd	002111 CH	Manufactures and markets ground equipments for airport with geographical focus in PRC market.	5.9	22.0	30.1
Miracle Automation Engineering Co Ltd	002009 CH	Develops logistics systems, including automation conveyer systems and automation storage systems and constructs environmental protection projects in both PRC and international market.	6.5	31.4	56.6
<b>Minimum</b>				<b>17.3</b>	<b>20.6</b>
<b>Average</b>				<b>27.6</b>	<b>37.6</b>
<b>Maximum</b>				<b>42.2</b>	<b>56.6</b>
<b>Implied multiple of the Proposed Pteris Acquisition</b>				<b>22.7</b>	<b>53.4</b>

Source: Bloomberg

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*Notes:*

- (1) The market capitalization is based on the closing price as of 4 December 2017, being the date of the Pteris Sale and Purchase Agreement;
- (2) The EV/EBITDA is calculated by dividing the enterprise value (“EV”) based on such company’s closing share price as of 4 December 2017 divided by earnings before interest, taxes, depreciation, and amortization (“EBITDA”) based on the latest available information;
- (3) The P/E ratio is calculated by dividing such company’s stock price per share by its earnings per share (EPS), as of 4 December 2017.

After discussed with the Company and confirmed by the Directors, with reference to the earnings multiples, including price-earnings ratios (“**P/E**”) and enterprise value to EBITDA ratios (“**EV/EBITDA**”), the implied EV/EBITDA and implied P/E ratio (the implied P/E Multiple of the Proposed Pteris Acquisition of approximately 53.4 times is calculated based on the proportionate Consideration divided by the profit attributable to the owners of the Pteris Group for the year ended 31 December 2016 of approximately RMB71.5 million and the implied EV/EBITDA of the Pteris Group of approximately 22.7 times is calculated based on the proportionate Consideration divided by the EBITDA of the Pteris Group for the year ended 31 December 2016 of approximately RMB174.4 million.

As set out from the above table, we note that the implied EV/EBITDA and P/E ratio of the Proposed Pteris Acquisition would be approximately 22.7 times and 53.4 times respectively, which are within the range of EV/EBITDA and P/E ratio of our selected Comparables, which range from approximately 17.3 to 42.2 times and from approximately 20.6 to 56.6 times respectively.

Further, we note that the implied EV/EBITDA ratio of the Proposed Pteris Acquisition is below the average of EV/EBITDA ratio of the selected Comparables, which is approximately 27.6 times and representing a discount of approximately 17.8% compared to the average ratio of the selected Comparables. Having considered that a liquidity discount may be applied on the valuation of a private company such as Pteris by adopting market approach and the implied EV/EBITDA and implied P/E ratio of the Proposed Pteris Acquisition are within the range of EV/EBITDA and P/E ratio of the selected Comparables, respectively, we are therefore of the view that the consideration of the Proposed Pteris Acquisition compares reasonably with the valuation that would have been derived from the selected Comparables.

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We also reviewed the precedent transactions in international market involving the acquisition of the companies principally engaged in similar businesses to that of the businesses engaged by the Pteris Group which were selected and provided by the Company on best effort basis. The selected precedent transactions are comparable to the Proposed Pteris Acquisition after having considered that the target companies to be acquired among the precedent transactions are unlisted and broadly comparable to the business nature and worldwide market for the business of the Pteris Group. However, although we consider these precedent transactions are fair and reasonable selection, they may only be served as a general reference as to the valuation of the Proposed Pteris Acquisition. Details of the findings are summarized in the table below.

Comparable transaction	Date of Announcement	Business of Target	Consideration (US\$ billion)	EV/EBITDA (times)	P/E (times)
Toyota Industries Corporation to acquire Vanderlande	March 2017	Supplier of value-added logistic process automation at airports and process automation solutions for warehouses	1.3	15.0	24.1
Honeywell to acquire Intelligrated	July 2016	Supplier of material handling automation and software engineering company	1.5	12.0 <sup>(1)</sup>	N/A
KION Group to acquire Dematic	June 2016	Supplier of integrated automated supply chain technology	3.3	19.6	N/A
Midea Group to acquire Kuka AG	May 2016	Manufacturer of industrial robots and solutions for factory automation	5.0	17.5	54.7
Amazon to acquire Kiva Systems	March 2012	Maker of robots that move items around warehouses	0.8	N/A	N/A
<b>Minimum</b>				<b>12.0</b>	<b>24.1</b>
<b>Average</b>				<b>16.0</b>	<b>39.4</b>
<b>Maximum</b>				<b>19.6</b>	<b>54.7</b>
<b>Implied multiple of the Proposed Pteris Acquisition</b>				<b>22.7</b>	<b>53.4</b>

Source: Mergermarket

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*Note:*

- (1) For Intelligrated, the figure is calculated based on estimated EBITDA of 2016, financials are not available since it's a private company;

As illustrated in the above table, we note that the implied EV/EBITDA multiple of the Proposed Pteris Acquisition is above the range of the comparable transactions, which is between approximately 12.0 to 19.6 times, and is higher than the average EV/EBITDA multiple of the comparable transactions of approximately 16.0 times.

Further, we note that the implied P/E ratio of the Proposed Pteris Acquisition of 53.4 times falls within the range of our selected comparable transactions from approximately 24.1 to 54.7 times and is higher than the average P/E ratio of the comparable transactions of approximately 39.4 times. For further illustration, we note that the acquisition of Kuka AG by Midea Group entailed an exceptionally high PE ratio when compared to the other companies among the comparable transactions. According to the offering report issued by Midea Group, the consideration for the relevant acquisition has taken into account the factors, including but not limited to, Kuka AG's asset quality, profitability, brand influence, technical level, market scarcity of the acquired business and synergies expected to be brought to its group, together with the reference to the premium paid by other oversea strategic investors which acquired mega-size companies listed on the Frankfurt Stock Exchange and Munich Stock Exchange. By excluding the exceptionally high PE ratio of the mentioned acquisition of Kuka AG by Midea Group, the implied P/E ratio of the Proposed Pteris Acquisition is higher than the P/E ratio of the acquisition of Vanderlande by Toyota Industries Corporation of approximately 24.1 times.

As such, we are therefore of the view that the consideration of the Proposed Pteris Acquisition is fair and reasonable.

### ***2. Issue Price of the Consideration Share and the Initial Conversion Price of the Convertible Bonds***

As mentioned, the issue price of the Consideration Shares and the initial Conversion Price of the Convertible Bonds shall be HK\$0.366 per Share. In assessing the fairness and reasonableness of the issue price of the Consideration Shares and the initial Conversion Price of the Convertible Bonds, details of our analysis are set out below.

The following chart sets out the daily closing prices of the CFE Shares on the Stock Exchange for the period from 2 December 2016 (being the first trading day of the 12-month period prior to the date of the Pteris Sale and Purchase Agreement) up to and including the date of the Pteris Sale and Purchase Agreement (the "**Review Period**").

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The chart below shows the daily closing price of the CFE Share as quoted on the Stock Exchange during the Review Period versus the Issue Price of the Consideration Share and the Initial Conversion Price of the Convertible Bonds:



Source: The website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk))

As shown in the chart above, the closing price of the CFE Shares during the Review Period was trading within a range between the lowest price at HK\$0.25 and the highest price of HK\$0.485 with an average of approximately HK\$0.39. The Issue Price of HK\$0.366 represents a premium of approximately 46.4% over the aforementioned lowest closing price of the CFE Shares, a discount of approximately 24.5% to the aforementioned highest closing price of the CFE Shares and a discount of approximately 6.3% to the average closing price of the CFE Shares during the Review Period, respectively.

Taking into account that:

- (i) the Issue Price falls within the range of the closing price of the CFE Shares during the Review Period;
- (ii) the Issue Price represents a discount of approximately 24.5% to the aforementioned highest closing price of the CFE Shares in the Review Period;
- (iii) the Issue Price represents a discount of approximately 20.4% to the closing price of HK\$0.46 per CFE Share as quoted on the Stock Exchange on 4 December 2017 (being the date of the Pteris Sale and Purchase Agreement);
- (iv) the Issue Price represents a discount of approximately 18.3% to the average closing price of approximately HK\$0.45 per CFE Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the date of the Pteris Sale and Purchase Agreement; and

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- (v) the Proposed Pteris Acquisition provides an opportunity for the Group to realize part of its strategic investment in the Pteris Group which is of a private group company into the Consideration Shares and Convertible Bonds of CFE, the shares of which are listed and traded on the Stock Exchange; to maximize the business opportunities and growth potential of the Pteris Group and CFE Group; and in turn enhance the value of the Group and the Shareholders as a whole, as discussed above.

Generally, such discount of the issue price of the Consideration Share and the initial Conversion Price of the Convertible Bonds are considered to be beneficial to the Company and its Shareholders as a whole as it represents: i) the Company could receive more of the Consideration Shares under a fixed consideration of the Proposed Pteris Acquisition; and (ii) the Convertible Bonds bear an in-the-money conversion option which is valuable to holders. In such regard, we are of the view that the Issue Price of the Consideration Share and the Initial Conversion Price of the Convertible Bonds are fair and reasonable insofar the Company and the Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

### ***3. Principal Terms of Convertible Bonds***

The principal terms of the Convertible Bonds are summarized as follows:

<b>Issuer:</b>	<b>CFE</b>
<b>Principal Amount:</b>	Up to RMB2,093,133,694, among which up to RMB1,541,341,938 may be issued to the Company, details of which are set out below: <ul style="list-style-type: none"><li>(i) RMB1,024,307,336 to be issued to the Company as part of the consideration for the Proposed Pteris Acquisition (assuming the TianDa Completion does not place); or</li><li>(ii) RMB1,541,341,938 to be issued to the Company as part of the consideration for the Proposed TianDa Acquisition (assuming the TianDa Completion takes place)</li></ul>
<b>Maturity Date:</b>	30th anniversary of the issue date

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- Interest:** The Convertible Bonds bear interest from and including the issue date at the rate of 0.1% per annum, payable annually in arrear on each anniversary from the issue date.
- After the conversion rights of the Convertible Bonds have been exercised or such Convertible Bond is redeemed pursuant to the terms and conditions of the Convertible Bonds, each Convertible Bond will not bear any interest.
- Status:** The Convertible Bonds constitute direct, unsubordinated, unconditional and unsecured obligations of the CFE and shall at all times rank *pari passu* and without any preference or priority among themselves.
- Transferability:** All Convertible Bonds are transferable, except where any Convertible Bonds is intended to be transferred to a connected person of CFE, such transfer shall be subject to the written consent of CFE and comply with the requirements of the Listing Rules.
- Conversion Period:** Subject to certain conditions, each holder of the Convertible Bonds has the right to convert all or part of the Convertible Bonds held by it (if in part, the principal amount of Convertible Bonds to be converted shall be in the minimum amount of RMB10,000,000 or the whole outstanding principal amount of the Convertible Bonds) into CFE Shares credited as fully paid at any time during the period from the issue date to the maturity date.
- Conversion Price:** The initial Conversion Price is HK\$0.366, which is subject to adjustment upon occurrence of consolidation, subdivision or reclassification of CFE Shares.
- The number of CFE Shares to be issued on conversion of a Convertible Bond will be determined by dividing the HK\$ equivalent of the RMB principal amount of the Convertible Bond to be converted (at the agreed fixed exchange rate of HK\$1:RMB0.85) by the Conversion Price in effect on the conversion date.



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Restriction on Conversion Rights:	No conversion shall take place if (i) immediately after such conversion, the public float of CFE Shares will fall below the minimum public float as stipulated under the Listing Rules or as required by the Stock Exchange or (ii) (unless otherwise agreed in writing by CFE) if a mandatory offer obligation under Rule 26.1 of the Takeovers Code will be triggered.
Redemption at Maturity:	Unless otherwise, converted, purchased or cancelled in accordance with the terms and conditions of the Convertible Bonds, CFE will redeem each Convertible Bond at the HK\$ dollar equivalent of the RMB principal amount (at the agreed fixed exchange rate of HK\$1:RMB0.85), at the maturity date.
Listing:	No application will be made for the listing of the Convertible Bonds on the Stock Exchange or any other stock exchange.

### *Analysis on the principal terms of the Convertible Bond*

#### Initial Conversion Price

As discussed above, the initial Conversion Price of HK\$0.366 per Conversion Share, represents:

- (a) a discount of approximately 20.4% to the closing price of HK\$0.46 per CFE Share as quoted on the Stock Exchange on the date of the Pteris Sale and Purchase Agreement; and
- (b) a discount of approximately 18.3% to the average closing price of approximately HK\$0.45 per CFE Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the date of the Pteris Sale and Purchase Agreement.

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We have also identified 19 transactions (the “**CB Comparables**”), which (i) involved the issue of convertible bonds/notes as announced by companies listed on the Stock Exchange from 4 June 2017 to 4 December 2017 (the “**Selection Period**”), being the preceding six months period prior to and including the date of the Pteris Sale and Purchase Agreement; (ii) under specific mandates; and (iii) excluding the A shares convertible bonds issued by listed companies on the Stock Exchange. We consider that the aforementioned selection criteria are appropriate to capture the recent market conditions and sentiments in relation to the proposed issue of Convertible Bonds by CFE and that the CB Comparables list is fair and reasonable selection. Shareholders should note that the businesses, operations and prospects of the Group are not the same as those of the CB Comparables. The table set out below is a summary of the CB Comparables:

Date of announcement	Company name	Stock Code	Term	Interest Rate %	Premium/ (discount) of conversion price over/ (to) the closing price per share on the last trading day or the date of the corresponding announcement %	Premium/ (discount) of conversion price over/to the average closing price per share on the last five consecutive trading days up to and including the last trading day or the date of the corresponding announcement %
30-Nov-17	Asia Energy Logistics Group Limited	351	3	5.5	14.93	10.03
24-Nov-17	Mega Expo Holdings Limited	1360	4	0	1.10	0.0
19-Nov-17	REXLot Holdings Limited	555	5	3	15.52	13.56
14-Nov-17	Enterprise Development Holdings Limited	1808	2	0	(18.52)	(16.92)
03-Nov-17	Forebase International Holdings Limited	2310	3	3	(12.20)	(10.89)
30-Oct-17	Dongwu Cement International Limited	695	3	0	(19.40)	(19.40)
20-Oct-17	U-Right International Holdings Limited	627	3	9	(82.11)	(81.45)
12-Oct-17	Sinco Pharmaceuticals Holdings Limited	6833	3	4	(32.70)	(33.70)
18-Oct-17	Value Convergence Holdings Limited	821	3	2	(19.35)	(17.00)
21-Aug-17	China Huarong Energy Company Limited	1101	2	7	63.93	63.40
15-Aug-17	China Hongqiao Group Limited	1378	5	5	15.74	14.80

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Date of announcement	Company name	Stock Code	Term	Interest Rate %	Premium/ (discount) of conversion price over/ (to) the closing price per share on the last trading day or the date of the corresponding announcement	Premium/ (discount) of conversion price over/to the average closing price per share on the last five consecutive trading days up to and including the last trading day or the date of the corresponding announcement
					%	%
7-Aug-17	Eminence Enterprise Limited	616	3	3	1.69	0.0
2-Aug-17	Kiu Hung International Holdings Limited	381	3	0	51.52	83.15
27-Jul-17	Suncity Group Holdings Limited	1383	2	0	57.9	57.9
26-Jul-17	China Agri-Products Exchange Limited	149	5	7.5	(51.87)	(53.26)
25-Jul-17	China Environmental Technology Holdings Limited	646	2	3	11.11	12.36
7-Jul-17	GR Properties Limited	108	Perpetual <sup>(1)</sup>	0	(20.00)	(15.00)
15-Jun-17	PPS International (Holdings) Limited	8201	1	0	3.45	(0.66)
6-Jun-17	DX.com Holdings Limited	8086	3	0	(12.60)	(19.80)
<b>Maximum</b>			Perpetual	9.0	63.93	83.15
<b>Minimum</b>			1	0	(82.11)	(81.45)
<b>Average</b>			3.06 <sup>(2)</sup>	2.74	(1.68)	(0.68)
<b>The Company</b>			30	0.1	(20.4)	(18.3)

*Notes:*

- (1) The convertible bonds is perpetual in term and has no maturity date;
- (2) The average of maturity term is adjusted by excluding the perpetual convertible bond.

As illustrated in the table above, the conversion prices of the CB Comparables ranged from (i) a discount of approximately 82.11% to a premium of approximately 63.93% to the respective closing prices of their shares on the last trading day or the date of the relevant announcement, with an average discount of approximately 1.68%; and (ii) a discount of approximately 81.45% to a premium of approximately 83.15% to the respective average closing prices of their shares on the last five consecutive trading days up to and including the last trading day or the date of the relevant announcement, with an average discount of approximately 0.68%. Apart from the mentioned analyses regarding the benefits of a discount of the initial Conversion Price to the Convertible Bond holders, we also note that the initial Conversion Price fall within the aforesaid market ranges.

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### Interest Rate

As illustrated in the table above, the CB Comparables bear interest rates from nil to 9.0% per annum, with an average of approximately 2.74% per annum. Although the average interest rate of CB Comparables is higher than the 0.1% interest rate of the Convertible Bonds, having considered the fact that the interest rates fall within the market range and the interest rate of 0.1% of the Convertible Bonds is not exceptional in the market and should be taken into account with the totality of other terms of the Convertible Bonds discussed in this letter, the 0.1% interest rate of the Convertible Bonds is on normal commercial terms.

### Maturity term

As illustrated in the table above, the CB Comparables have the maturity ranged from 1 year to perpetual, with an adjusted average maturity of around 3.06 years excluding those CB Comparables with perpetual maturity. The Convertible Bonds with a maturity of 30 years falls within such market range but is higher than the adjusted market average. Indeed, a longer maturity term or conversion period provides flexibility to the Company to convert the Convertible Bonds into CFE Shares should the market price of the CFE Shares be higher than the initial Conversion Price at any time during the period from the issue date to the maturity date.

We have also reviewed other terms of the Convertible Bonds such as restriction on conversion rights, redemption at maturity and compared these terms against the CB Comparables and we are not aware of any material unusual items.

Taking into account all the foregoing, we are of the view that the principal terms of the Convertible Bonds are fair and reasonable in insofar the Company and the Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

#### **IV. Shareholding Effects of the Proposed Restructuring**

As stated in the Letter, assuming none of the Convertible Bonds are converted and there is no change in the issued share capital of CFE other than the issue of the Consideration Shares, (i) in the event that only the Pteris Completion takes place, the Company's equity interest in CFE will increase from approximately 30.00% to approximately 65.40% and the Company's indirect equity interests in Pteris will reduce from 78.15% to approximately 65.01%; and (ii) in the event that both the Pteris Completion and the TianDa Completion take place, the Company's equity interest in CFE will increase from approximately 30.00% to approximately 51.00% and the Company's indirect equity interests in Pteris will reduce from 78.15% to approximately 50.70%.

Consequently, whether or not the TianDa Completion takes place upon completion of the Proposed Restructuring, (i) the Company will obtain control over CFE, and CFE will become a non-wholly owned subsidiary of the Company and CFE's financial results will be

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consolidated in the Company's consolidated financial statements in accordance with CASBE; and (ii) Pteris will continue to be an indirect non-wholly owned subsidiary of the Company through its shareholding in CFE and Pteris' financial results will continue to be consolidated into the consolidated financial statements of the Company in accordance with CASBE.

Please refer to the Letter on the simplified shareholding structure of the Group and CFE Group (i) upon Pteris Completion (assuming no TianDa Completion); and (ii) upon Pteris Completion and TianDa Completion.

### **V. Possible Financial Effects**

As stated in the Letter, as the Proposed Restructuring is effectively a share swap and Pteris will continue to be a non-wholly owned subsidiary of the Company after the Proposed Restructuring, there is no disposal gain or loss of Pteris to be recorded by the Company in its income statement. Furthermore, it is expected that the consideration for the acquisition of CFE exceeds the fair value of the identifiable net assets of CFE as at the date of the Pteris Completion, and there would be no gain to be recognised in its income statement. Nevertheless, before the Pteris Completion, CFE is an associate of the Company (through Top Gear), and upon the Pteris Completion, CFE will become a subsidiary of the Company. The Company would re-measure its previously held equity interest in CFE, therefore, a gain or loss may be recognised depending on the difference between fair value of CFE and the carrying amount of the Company's investment in CFE's equity interests at the date of the Pteris Completion.

### **VI. Assured Entitlement**

As stated in the Letter, under Practice Note 15 of the Listing Rules, the Company is required to provide its shareholders with an assured entitlement to the CFE Shares to be allotted to Sharp Vision under the Proposed Restructuring. Practice Note 15 of the Listing Rules further provides that the minority shareholders may by resolution in general meeting resolve to waive such assured entitlement. The board of the Company has resolved not to provide assured entitlement to the Shareholders under the Proposed Restructuring for the following reasons:

- (i) as advised by the Company's PRC legal counsel Commerce & Finance Law Offices, under the current PRC laws and regulations, other than the Provisions on the Foreign Exchange Administration of Overseas Securities Investment of Qualified Domestic Institutional Investors (合格境內機構投資者境外證券投資外匯管理規定) ("QDII") which provides for overseas securities investments by QDII pursuant to certain prescribed quotas, the Company's PRC legal counsel is not aware of any other applicable laws and regulations on offshore securities investments directly made by PRC individuals or institutions. As such, in practice, save for QDII who must be a corporate, as far as the Company is aware, all other persons and entities (including all PRC individuals, and PRC corporations and unincorporated entities who are not QDII) are in general not eligible to hold or engage in transactions involving offshore securities. According to the Company's A-share registration information from the

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China Securities Depository and Clearing Corporation Limited, it is estimated that approximately 98% of the Company's A-Shareholders are individuals in the PRC. In light of the above, as advised by the Company's PRC legal counsel, a majority of the Company's A-shareholders may be unable to directly hold the CFE Shares unless approved by the relevant competent authorities or having completed the required registration/filing procedures pursuant to the Regulation of the PRC on Foreign Exchange Administration (中華人民共和國外匯管理條例), and such required registration/filing procedures must be completed by the Company's A-Shareholders and could not be completed by the Company;

- (ii) any distribution of the CFE Shares would have to be made in proportion to the number of the Company's shares held by the Shareholders. Considering that there is a large number of Shareholders, distributing the CFE Shares to the Shareholders may not be meaningful as the assured entitlement would in most cases give the Shareholders odd lots of the CFE Shares which are of no significant value owing to the discount applied to the low marketability of odd-lots shares;
- (iii) it is expected that upon the Pteris Completion, CFE will become a non-wholly owned subsidiary of the Company and the financials of CFE will be consolidated into the Company's accounts; thus enabling the Company to optimize the return and benefit from the future growth and development of CFE as well as to allow the Company and CFE to realize potential synergies through sharing of resources and to benefit from the potential economies of scale. As such, it will be in the interest of the Company and its shareholders as a whole for the Company to maintain a controlling interest in CFE; and
- (iv) the Proposed Restructuring does not involve any public offering or other offering of new CFE Shares or any other securities of CFE.

With respect to paragraph (i) above, we have (a) reviewed the relevant PRC legal opinion; (b) discussed with the Company's PRC legal counsel and the Company on the background of Proposed Pteris Acquisition; and (c) studied the implication of the relevant rules and regulations. We concur with the Directors' view that the compliance with the assured entitlement requirement would not be for the benefit of the Company and the Shareholders if such arrangement cannot apply to all Shareholders on an equal basis.

With respect to paragraph (ii) above, we have reviewed (a) the analysis of the estimated number of H-shareholders and A-shareholders; (b) the illustration of the corresponding shareholding distribution; and (c) the scenario analysis of receiving odd lots of the CFE shares by the majority of the Shareholders prepared by the Company. We concur with the Directors' view that a majority of the Shareholders will receive odd lots of CFE Shares, which are less liquidable and are usually trade at a discount to market price.

With respect to paragraph (iii) above, please refer to our analysis on the "II. ANALYSIS ON THE REASONS FOR AND BENEFITS OF THE PROPOSED RESTRUCTURING – subparagraph (c)" for details.

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Having taken into account the factors discussed above, we consider the waiver to the assured entitlement under the Proposed Restructuring to be fair and reasonable.

As stated in the Letter, as the Company does not have any controlling shareholder, all Shareholders (including the holders of A Shares of the Company and the holders of H Shares of the Company) are entitled to vote on the resolution in respect of waiver to the assured entitlement under the Proposed Restructuring at the EGM in accordance with the requirement under Practice Note 15 of the Listing Rules.

### OPINION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the discloseable transaction pursuant to the Pteris Sale and Purchase Agreement and (ii) the waiver to the assured entitlement under the Proposed Restructuring are on normal commercial terms and in the interest of the Company and the Shareholders as a whole, and fair and reasonable insofar the Company and the Shareholders are concerned. Accordingly, we recommend the Independent Board Committee to advise the Shareholders to vote in favour of the resolution(s) to be proposed at the EGM to approve the Proposed Restructuring (including the waiver to the assured entitlement).

Yours faithfully,  
For and on behalf of  
**RaffAello Capital Limited**  
**Terence Yau**  
*Senior Manager*

*Note:* Mr. Terence Yau has served as a licensed responsible officer since 2015 under the SFO to carry Type 6 (advising on corporate finance) regulated activities. Mr. Terence Yau has more than 8 years of experience in corporate finance and has participated in initial public offerings and transactions involving companies listed in Hong Kong, including the provision of independent financial advisory services.

*\* In this letter, the English names of the PRC laws and entities are translations of their Chinese names and included herein for identification purpose only. In the event of any inconsistency, the Chinese names shall prevail.*