



CIMC | TianDa

CIMC | TianDa

CIMC-TianDa Holdings Company Limited

中集天達控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 445)

INTERIM REPORT 2019



HIGHLIGHTS

- Revenue of the Group for the six months ended 30 June 2019 was approximately RMB1,582.8 million (2018: approximately RMB991.1 million), reported an increase of approximately 59.7% over the corresponding period last year.
- Profit attributable to owners of the Company for the six months ended 30 June 2019 was approximately RMB88.0 million (2018: RMB58.5 million), reported an increase of approximately 50.6% over the corresponding period last year.
- Basic earnings per share for the period was RMB0.61 cent (2018: RMB0.63 cent). Diluted earnings per share for the period was RMB0.48 cent (2018: RMB0.43 cent).
- The Board does not recommend the payment of a dividend for the six months ended 30 June 2019.

The board of Directors (the “Board”) of the Company hereby announces the unaudited interim results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 June 2019, together with the comparative figures for the corresponding period in 2018, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	<i>Notes</i>	(Unaudited)	
		For the six months ended 30 June	
		2019	2018
		<i>RMB'000</i>	<i>RMB'000</i>
Revenue	2	1,582,790	991,104
Cost of sales and services		(1,264,505)	(801,436)
Gross profit		318,285	189,668
Selling and distribution expenses		(35,657)	(30,429)
General and administrative expenses		(171,829)	(122,726)
Other income	3	35,264	32,626
Other (losses)/gains – net	4	(11,268)	11,529
Operating profit		134,795	80,668
Finance costs	5	(21,227)	(6,756)
Share of profit of associates		869	880
Profit before income tax		114,437	74,792
Income tax expense	6	(19,698)	(10,641)
Profit for the period		94,739	64,151
Profit for the period attributable to:			
Owners of the Company		87,998	58,451
Non-controlling interests		6,741	5,700
		94,739	64,151
		<i>RMB cent</i>	<i>RMB cent</i>
Earnings per share	7		
Basic		0.61	0.63
Diluted		0.48	0.43

CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

	(Unaudited)	
	For the six months ended 30 June	
<i>Notes</i>	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Profit for the period	94,739	64,151
Other comprehensive income:		
<i>Items that may be reclassified to profit or loss:</i>		
Exchange differences on translating foreign operations	3,021	6,153
Share of other comprehensive income of associates	(175)	131
Other comprehensive income for the period, net of tax	2,846	6,284
Total comprehensive income for the period	97,585	70,435
Total comprehensive income for the year attributable to:		
Owners of the Company	89,244	64,699
Non-controlling interests	8,341	5,736
	97,585	70,435

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		(Unaudited) At 30 June 2019 RMB'000	(Audited) At 31 December 2018 RMB'000
	<i>Notes</i>		
ASSETS			
Non-current assets			
Prepaid land lease payments	10	–	113,274
Property, plant and equipment	9	1,027,121	746,308
Right-of-use assets	10	301,382	–
Investment properties		253,751	251,069
Intangible assets	11	706,129	308,519
Investments in associates		726,807	734,358
Financial assets at fair value through profit or loss		10,000	–
Deferred income tax assets		47,807	44,055
Other non-current assets	12	4,291	358,316
		3,077,288	2,555,899
Current assets			
Inventories		1,237,213	791,530
Trade receivables	13	1,844,364	1,180,305
Prepayments and other receivables		517,221	432,435
Financial assets at fair value through other comprehensive income		26,500	22,065
Financial assets at fair value through profit or loss		4,829	–
Contract assets		650,622	410,204
Amount due from related parties		48,674	29,337
Pledged bank deposits		41,719	10,628
Bank and cash balances		333,049	468,607
		4,704,191	3,345,111
Total assets		7,781,479	5,901,010
EQUITY			
Equity attributable to owners of the Company			
Share capital		123,522	123,522
Reserves		3,080,405	2,853,857
		3,203,927	2,977,379
Non-controlling interests		374,873	44,950
Total equity		3,578,800	3,022,329

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(continued)

		(Unaudited) At 30 June 2019 RMB'000	(Audited) At 31 December 2018 RMB'000
	<i>Notes</i>		
LIABILITIES			
Non-current liabilities			
Trade and other payables	14	7,704	14,452
Borrowings	15	116,544	–
Lease liabilities	10	41,806	–
Convertible bonds		88,158	84,327
Deferred income tax liabilities		62,015	18,251
Deferred income		95,019	66,619
		411,246	183,649
Current liabilities			
Trade and other payables	14	1,742,877	1,303,155
Amounts due to related parties		68,085	75,212
Contract liabilities		998,763	635,430
Borrowings	15	825,225	544,885
Lease liabilities	10	10,368	–
Provision		100,406	83,922
Financial liabilities at fair value through profit or loss		2,603	–
Current income tax liabilities		43,106	52,428
		3,791,433	2,695,032
Total liabilities		4,202,679	2,878,681
Total equity and liabilities		7,781,479	5,901,010

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	(Unaudited)	
	For the six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Cash flow from operating activities		
Profit before income tax	114,437	74,792
<i>Adjustments for:</i>		
Depreciation of property, plant and equipment and right-of-use assets	32,577	19,917
Amortisation of prepaid land lease	–	1,003
Amortisation of intangible assets	20,262	6,682
Loss/(gain) on disposal of property, plant and equipment	118	(116)
Loss on disposal of intangible assets	175	–
Loss on disposal of an associate	819	–
Loss on disposal of other financial assets	–	34
Loss on change in fair value of financial liabilities through profit or loss	2,591	–
Interest income	(1,187)	(1,678)
Dividend income	–	(24)
Interest expense	21,227	6,756
Loss on change in fair value of other financial assets	–	157
Share of profit of associates	(869)	(880)
Operating profit before working capital changes	190,150	106,643
Inventories	(68,946)	(156,253)
Trade and other receivables, contract assets and financial assets	(303,023)	(152,784)
Trade and other payables and contract liabilities	37,266	85,751
Provisions	14,573	(6,620)
Cash used in operating activities	(129,980)	(123,263)
Income tax paid	(33,997)	(20,840)
Net cash used in operating activities	(163,977)	(144,103)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

7

	(Unaudited)	
	For the six months ended 30 June	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Cash flow from investing activities		
Addition of property, plant and equipment, intangible assets and other non-current assets	(24,561)	(26,660)
Proceeds from sale of property, plant and equipment	–	310
Proceeds from sale of intangible assets	6,206	
Proceeds from sale of other financial asset	–	1,721
Interest received	1,187	1,678
Dividend received	3,687	24
Acquire financial assets at fair value through profit or loss	(10,000)	–
Payment for acquisition of subsidiaries, net of cash acquired	(25,474)	78,050
Net cash (used in)/generated from investing activities	(48,955)	55,123
Cash flow from financing activities		
Proceeds from issue of new shares	–	197,218
Proceeds from loan from an associate	348,000	100,000
Repayment of loans from an associate	(398,000)	(40,000)
Proceeds from bank borrowings	273,139	47,656
Repayment of bank borrowings	(173,259)	(48,252)
Interest paid	(16,872)	(6,473)
Principal elements of lease payments	(4,939)	–
Decrease/(increase) in pledged bank deposits	45,668	(1,604)
Net cash generated from financing activities	73,737	248,545
Net (decrease)/increase in cash and cash equivalents	(139,195)	159,565
Cash and cash equivalents at 1 January	468,607	220,340
Effect of foreign exchange rate changes	3,637	(503)
Cash and cash equivalents at 30 June	333,049	379,402
Analysis of cash and cash equivalents at 30 June		
Bank and cash balances	333,049	379,402

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019
(Unaudited)

	Attributable to owners of the Company											
	Notes	Share capital RMB'000	Share premium RMB'000	Assets revaluation reserve RMB'000	Surplus reserve RMB'000	Convertible bonds – equity conversion reserves RMB'000	Other reserves RMB'000	Currency translation reserves RMB'000	Retained earnings RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2018		51,753	1,914,868	23,284	9,378	1,767,791	(3,121,582)	32,781	546,091	1,224,364	241,405	1,465,769
Profit for the period		-	-	-	-	-	-	-	58,451	58,451	5,700	64,151
Currency translation differences		-	-	-	-	-	6,117	-	-	6,117	36	6,153
Share of other comprehensive income of an associate		-	-	-	-	-	131	-	-	131	-	131
Total comprehensive income for the period		-	-	-	-	-	131	6,117	58,451	64,699	5,736	70,435
Issuance of ordinary shares pursuant to reverse acquisition		39,977	1,037,907	-	-	-	164,636	-	-	1,242,520	-	1,242,520
Issuance of convertible bonds pursuant to reverse acquisition – liability portion		-	-	-	-	-	-	-	(102,519)	(102,519)	-	(102,519)
Non-controlling interests recognised pursuant to reverse acquisition		-	-	-	-	-	(7,441)	-	-	(7,441)	7,441	-
Transaction with non-controlling interests		8,135	300,983	-	-	289,893	(406,624)	-	-	192,387	(209,198)	(16,811)
Issuance of ordinary shares		5,448	191,770	-	-	-	-	-	-	197,218	-	197,218
Issuance of shares upon conversion of convertible bonds		18,209	709,911	-	-	(688,120)	-	-	-	40,000	-	40,000
Dividend to non-controlling interests		-	-	-	-	-	-	-	-	-	(1,859)	(1,859)
Total transactions with owners, recognized directly in equity		71,769	2,240,571	-	-	(398,227)	(249,429)	-	(102,519)	1,562,165	(203,616)	1,358,549
At 30 June 2018		123,522	4,155,439	23,284	9,378	1,369,564	(3,370,880)	38,898	502,023	2,851,228	43,525	2,894,753

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(continued)
For the six months ended 30 June 2019
(Unaudited)

	Attributable to owners of the Company										
	Share capital	Share premium	Assets revaluation reserve	Surplus reserve	Convertible bonds - equity conversion reserves	Other reserves	Currency translation reserves	Retained earnings	Subtotal	Non-controlling interests	Total
Notes	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2019	123,522	4,155,439	23,284	9,378	1,369,564	(3,371,012)	58,229	608,975	2,977,379	44,950	3,022,329
Profit for the period	-	-	-	-	-	-	-	87,998	87,998	6,741	94,739
Currency translation differences	-	-	-	-	-	-	1,421	-	1,421	1,600	3,021
Share of other comprehensive income of associates	-	-	-	-	-	(175)	-	-	(175)	-	(175)
Total comprehensive income for the period	-	-	-	-	-	(175)	1,421	87,998	89,244	8,341	97,585
Shares to be issued for acquisition of a subsidiary	-	-	-	-	-	137,304	-	-	137,304	-	137,304
Non-controlling interests recognized upon acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	321,582	321,582
Total transactions with owners, recognized directly in equity	-	-	-	-	-	137,304	-	-	137,304	321,582	458,886
At 30 June 2019	123,522	4,155,439	23,284	9,378	1,369,564	(3,233,883)	59,650	696,973	3,203,927	374,873	3,578,800

1 Basis of preparation

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange and with the Hong Kong Accounting Standard 34, *Interim Financial Reporting*. The accounting policies adopted in preparing the condensed consolidated financial statements for the six months ended 30 June 2019, other than the applicable new and revised Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants that are effective from 1 January 2019, are consistent with those in preparation of the Group’s consolidated financial statements for the year ended 31 December 2018.

New and revised HKFRS

A number of new or amended standards became applicable for the current reporting period and the Group has changed its accounting policies and made retrospective adjustments as a result of adopting HKFRS 16 “Leases”.

Details of the change in accounting policies in respect of the adoption of HKFRS 16 “Leases” has been set out in note 10 to the condensed consolidated financial statements below.

2 Revenue and segment information

The Group has three reportable segments which are the Group’s strategic business units. Each business units offer different goods and services and are managed separately because they require different production techniques and marketing strategies. The Group’s Chief Executive Officer (“CEO”) manages and monitors the businesses of each business units and reviews the internal management reports on a quarterly basis at least. Reportable segments are identified based on the reports reviewed by the CEO that are used for making strategic decisions, allocating resources and assessing performance. The following summarizes the operations of each of the Group’s reportable segments:

- Airport equipment and automated parking system: the manufacture and sales of passenger boarding bridges, airport support equipment and automated vehicle parking systems;
- Logistic systems: the provision of engineering and computer software solutions for airport logistics, e-commerce, express delivery and warehousing; and
- Fire engines and fire prevention and fighting equipment: the production and sale of fire engines; and fire prevention and fighting equipment.

The accounting policies of the reportable segments are the same as those adopted in preparing the condensed consolidated financial statements.

2 Revenue and segment information (continued)

Information about operating segment profit or loss:

For the six months ended 30 June 2019 (unaudited)

	Airport equipment and automated parking system <i>RMB'000</i>	Logistic system business <i>RMB'000</i>	Fire engines and fire prevention and fighting equipment <i>RMB'000</i>	Total <i>RMB'000</i>
Timing of revenue recognition				
– At a point in time	711,027	31,973	480,402	1,223,402
– Over time	73,625	277,555	8,208	359,388
Revenue from external customers	784,652	309,528	488,610	1,582,790
Reportable segment profit/(loss) before income tax	100,342	(22,622)	54,833	132,553
Unallocated corporate expenses				(14,463)
Share of profit of an associate				869
Interest expenses on convertible bonds				(4,522)
Profit before income tax				114,437
Income tax expense				(19,698)
Profit for the period				94,739
Other information:				
Depreciation of property, plant and equipment and right of use assets	16,093	6,535	9,949	32,577
Amortisation of intangible assets	4,821	792	14,649	20,262

2 Revenue and segment information (continued)

Information about operating segment profit or loss (continued):

For the six months ended 30 June 2018 (unaudited)

	Airport equipment and automated parking system <i>RMB'000</i>	Logistic system business <i>RMB'000</i>	Fire engines and fire prevention and fighting equipment <i>RMB'000</i>	Total <i>RMB'000</i>
Timing of revenue recognition				
– At a point in time	534,869	61,521	142,263	738,653
– Over time	26,141	225,776	534	252,451
Revenue from external customers	561,010	287,297	142,797	991,104
Reportable segment profit/(loss) before income tax	65,928	(4,609)	10,866	72,185
Unallocated corporate expenses				3,446
Share of profit of an associate				880
Interest expenses on convertible bonds				(1,719)
Profit before income tax				74,792
Income tax expenses				(10,641)
Profit for the period				64,151
Other information:				
Depreciation of property, plant and equipment	13,103	4,791	2,023	19,917
Amortisation of intangible assets and prepaid land lease payments	5,568	168	1,949	7,685

3 Other income

	(Unaudited)	
	For the six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Interest income	1,187	1,678
Government grants	7,526	7,099
Rental income	20,365	21,855
Sale of scrap materials	1,901	1,160
Dividend income	–	24
Others	4,285	810
	35,264	32,626

4 Other (losses)/gains – net

	(Unaudited)	
	For the six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
(Loss)/gain on disposal of property, plant and equipment	(118)	116
Loss on disposal of intangible assets	(175)	–
Loss on change in fair value of financial liabilities through profit or loss	(2,591)	(458)
Loss on disposal of an associate	(819)	–
Net foreign exchange (loss)/gain	(5,350)	11,725
Others	(2,215)	146
	(11,268)	11,529

	(Unaudited)	
	For the six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Interest expenses on loans from related parties	7,419	1,465
Interest expenses on bank borrowings	7,957	3,418
Interest expenses on convertible bonds	4,522	1,719
Interest expenses on leases	1,252	–
Others	77	154
	21,227	6,756

6 Income tax expense

Income tax expense has been recognised in profit or loss as follows:

	(Unaudited)	
	For the six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Current income tax		
Current tax on profits for the period	23,996	20,620
Under-provision in prior years	269	469
	24,265	21,089
Deferred income tax	(4,567)	(10,448)
Income tax expense	19,698	10,641

Income tax on profits arising from the group entities in the PRC and other countries have been provided for based on the prevailing tax rates applicable to the respective group entities.

7 Earnings per share

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

	(Unaudited)	
	For the six months ended 30 June	
<i>Notes</i>	2019 RMB'000	2018 RMB'000
Earnings		
Profit attributable to owners of the Company for the purpose of calculating basic earnings per share	87,998	58,451
Finance costs saving on conversion of convertible bonds outstanding, net of tax	3,776	4,297
Profit attributable to owners of the Company for the purpose of calculating diluted earnings per share	91,774	62,748
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	14,471,904	9,317,204
Effect of dilutive potential ordinary shares arising from convertible bonds outstanding	4,478,170	5,437,214
Effect of dilutive ordinary shares to be issued for acquisition of a subsidiary	i 188,934	–
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	19,139,008	14,754,418

Note i: The shares are to be issued for the acquisition of Shanghai Jindun Special Vehicle Equipment Co., Ltd. (上海金盾特種車輛裝備有限公司) (“Shanghai Jindun”) which was completed in April 2019.

There was no dilutive effect of the share options granted to the earnings per share as the average market prices of the shares of the Company for the six months ended 30 June 2018 and 2019 were lower than the exercise price of the share options granted.

8 Dividends

The Board does not recommend the payment of a dividend for the six months ended 30 June 2019 (2018: nil).

The Company adopted a dividend policy on 27 August 2019, pursuant to which, the Company intends to pay out an annual dividend payment at a payout ratio of not less than 25% of the profit attributable to owners of the Company for a financial year. Please refer to the announcement of the Company dated 27 August 2019.

9 Property, plant and equipment

	Buildings RMB'000	Machinery and equipment RMB'000	Motor vehicles RMB'000	Office and other equipment RMB'000	Construction in progress RMB'000	Total RMB'000
At December 31 2018						
(audited)						
Cost	652,973	105,857	9,775	55,961	44,281	867,847
Accumulated depreciation	(74,322)	(20,960)	(3,286)	(23,971)	–	(122,539)
Carrying value	578,651	84,897	6,489	31,990	44,281	746,308
For the period ended						
30 June 2019 (unaudited)						
Carrying value at						
1 January 2019	578,651	84,897	6,489	31,990	44,281	746,308
Reclassification	589	50	–	–	(639)	–
Additions	1,087	7,127	714	938	14,622	24,488
Acquisition of subsidiaries (note 16)	238,528	38,229	3,109	2,182	–	282,048
Disposals and write-offs	–	(117)	–	(1)	–	(118)
Depreciation charge	(13,959)	(5,854)	(948)	(5,287)	–	(26,048)
Currency translation difference	377	25	16	22	3	443
Carrying value at						
30 June 2019	805,273	124,357	9,380	29,844	58,267	1,027,121
At 30 June 2019 (unaudited)						
Cost	893,751	150,823	13,625	59,195	58,267	1,175,661
Accumulated depreciation	(88,478)	(26,466)	(4,245)	(29,351)	–	(148,540)
Carrying value	805,273	124,357	9,380	29,844	58,267	1,027,121

10 Rights-of-use assets and lease liabilities – change in accounting policies for the adoption of HKFRS 16 “Leases”

The group has adopted HKFRS 16 “Leases” retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

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

	<i>RMB’000</i>
Operating lease commitments disclosed as at 31 December 2018	84,297
Less: commitments relating to short term leases and low value leases	(565)
Less: commitments relating to a lease with no defined lease terms	(13,436)
Undiscounted lease liabilities at 1 January 2019	70,296
The weighted average incremental borrowing rate	4.99%
Discounted lease liabilities at 1 January 2019 using the incremental borrowing rate	50,781
Lease liability recognised as at 1 January 2019	
Of which are:	
Current lease liabilities	6,727
Non-current lease liabilities	44,054
	50,781

The associated right-of-use assets for property leases were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018. The right-of-use assets recognized at 1 January 2019 amounted to RMB51,106,000 and all related to properties. Prepaid land lease payments at 1 January 2019 amounted to RMB113,274,000 were also reclassified to right-of-use assets.

10 Rights-of-use assets and lease liabilities – change in accounting policies for the adoption of HKFRS 16 “Leases” (continued)

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

	Increase/ (decrease) by <i>RMB'000</i>
Prepaid land lease payments	(113,274)
Rights-of-use assets	164,380
Leased liabilities	50,781
Other non-current assets	(325)

Movement of the right-of-use assets and leases are as follows:

	Right-of-use assets <i>RMB'000</i>	Leases <i>RMB'000</i>
At 1 January 2019	164,380	50,781
Additions	5,080	5,080
Acquisition of subsidiaries (<i>Note 16</i>)	138,451	–
Depreciation	(6,529)	–
Interest expenses	–	1,252
Principal elements of lease payments	–	(4,939)
At 30 June 2019	301,382	52,174
Current lease liabilities		10,368
Non-current lease liabilities		41,806
		52,174

The Group's leasing activities

The Group leases various offices, factories and warehouses. Rental contracts are typically made for fixed periods of 1 to 3 years. Besides, the Group has leased a land in Singapore for 30 years (approximately 18 years remained as at 1 January 2019) for offices with rental payment determined by the Singapore government every year. Terms of the leases are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the financial year ended 31 December 2018, leases of property were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

10 Rights-of-use assets and lease liabilities – change in accounting policies for the adoption of HKFRS 16 “Leases” (continued)

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset’s useful life and the lease term on a straight-line basis.

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

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option that is reasonably certain to be exercised; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the Group’s incremental borrowing rate is used. Incremental borrowing rate is the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

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

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received; and
- any initial direct costs.

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

	Goodwill	Software	Operating rights for automated parking system	Patents	Trademark	Customer relationships	Order backlog	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At December 31 2018 (audited)								
Cost	175,314	8,072	58,752	68,013	18,793	12,258	7,428	348,630
Accumulated amortisation and impairment	-	(4,255)	(14,417)	(12,401)	-	(4,086)	(4,952)	(40,111)
Carrying value	175,314	3,817	44,335	55,612	18,793	8,172	2,476	308,519
For the period ended 30 June 2019 (unaudited)								
Carrying value at 1 January 2019	175,314	3,817	44,335	55,612	18,793	8,172	2,476	308,519
Acquisition of subsidiaries (note 16)	216,802	-	-	43,244	87,540	38,964	37,632	424,182
Additions	-	73	-	-	-	-	-	73
Disposal and written off	-	-	(6,381)	-	-	-	-	(6,381)
Amortisation charge	-	(345)	(1,413)	(5,330)	-	(4,156)	(9,018)	(20,262)
Currency translation difference	(17)	15	-	-	-	-	-	(2)
Carrying value at 30 June 2019	392,099	3,560	36,541	93,526	106,333	42,980	31,090	706,129
At 30 June 2019 (unaudited)								
Cost	392,099	8,167	48,935	111,257	106,333	51,222	45,060	763,073
Accumulated amortisation and impairment	-	(4,607)	(12,394)	(17,731)	-	(8,242)	(13,970)	(56,944)
Carrying value	392,099	3,560	36,541	93,526	106,333	42,980	31,090	706,129

12 Other non-current assets

		(Unaudited) At 30 June 2019 RMB'000	(Audited) At 31 December 2018 RMB'000
	<i>Note</i>		
Prepayment for acquisition of subsidiaries	i	–	354,540
Others		4,291	3,776
		4,291	358,316

Note i: The prepayment was considerations prepaid for the acquisition of two subsidiaries, Shanghai Jindun and Shenyang Jietong Fire Truck Co., Ltd. (瀋陽捷通消防車有限公司) (“Shenyang Jietong”), pursuant to their respective equity transfer agreements. The acquisitions have been completed during the six months ended 30 June 2019.

13 Trade receivables

		(Unaudited) At 30 June 2019 RMB'000	(Audited) At 31 December 2018 RMB'000
Trade receivables		1,923,028	1,262,092
Less: provision for impairment of trade receivables		(78,664)	(81,787)
		1,844,364	1,180,305

The credit period granted to customers ranged from 30 days to 180 days. The aging analysis of trade receivables, based on the invoice date, before provision for impairment is as follows:

	(Unaudited) At 30 June 2019 RMB'000	(Audited) At 31 December 2018 RMB'000
0 – 90 days	1,261,575	692,234
91 – 180 days	235,598	193,432
181 – 360 days	241,338	168,063
Over 360 days	184,517	208,363
	1,923,028	1,262,092

14 Trade and other payables

		(Unaudited) At 30 June 2019 RMB'000	(Audited) At 31 December 2018 RMB'000
	<i>Note</i>		
<i>Current</i>			
Trade payables		840,910	762,871
Dividends payable	i	71,574	74,899
Convertible bonds interests payable		258	986
Consideration and withholding tax payable	ii	360,000	–
Staff salaries, bonuses and welfare payables		61,248	84,855
Accruals and other payables		408,887	379,544
		1,742,877	1,303,155
<i>Non-current</i>			
Rental received in advance		7,468	8,752
Other payables		236	5,700
		7,704	14,452

Note i: Dividends payable represent unpaid dividends to China International Marine Containers (Hong Kong) Ltd, the then shareholder of a subsidiary of the Company, which were declared in the financial years 2011 and 2013.

Note ii: Amount represented the consideration payable for acquiring Shenyang Jietong and the related withholding tax payable. The acquisition of Shenyang Jietong was completed in June 2019.

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

	(Unaudited) At 30 June 2019 RMB'000	(Audited) At 31 December 2018 RMB'000
0 – 60 days	516,587	338,942
61 – 120 days	135,081	214,357
121 – 240 days	106,645	88,765
Over 240 days	82,597	120,807
	840,910	762,871

15 Borrowings

	(Unaudited) At 30 June 2018 RMB'000	(Audited) At 31 December 2018 RMB'000
<i>Current</i>		
Loans from an associate, unsecured, repayable within 1 year	220,000	270,000
Bank borrowings, unsecured, repayable within 1 year	605,225	274,885
	825,225	544,885
<i>Non-current</i>		
Bank borrowing, unsecured, repayable after 5 years	116,544	–

16 Acquisition of subsidiaries

During the period ended 30 June 2019, the Group completed the acquisitions of (i) the entire equity interests in Shanghai Jindun; and (ii) 60% equity interests in Shenyang Jietong. Details of the acquisitions have been set out in the “Management Discussion and Analysis” of this report under the section “Investments, disposals, capital commitments, contingent liabilities and pledge of assets – Investments”. The fair values of the assets and liabilities of the Shanghai Jindun and Shenyang Jietong as at the dates of acquisitions are set out as follows:

	At date of acquisitions		
	Shanghai Jindun RMB'000	Shenyang Jietong RMB'000	Total RMB'000
Property, plant and equipment	43,297	238,751	282,048
Right-of-use assets	84,751	53,700	138,451
Intangible assets	31,542	175,838	207,380
Deferred income tax assets	2,133	–	2,133
Other non-current assets	927	–	927
Inventories	73,882	302,855	376,737
Trade receivables	174,296	292,765	467,061
Prepayment and other receivables	68,496	74,156	142,652
Financial assets at fair value through other comprehensive income	2,289	3,563	5,852
Financial assets at fair value through profit or loss	1,007	3,822	4,829
Contract assets	24,812	69,548	94,360
Pledged bank deposits	32,018	44,741	76,759
Bank and cash balances	21,628	67,438	89,066
	561,078	1,327,177	1,888,255
Trade and other payables	(57,474)	(223,308)	(280,782)
Contract liabilities	(43,331)	(70,484)	(113,815)
Borrowings	(170,000)	(177,004)	(347,004)
Provision	(1,911)	–	(1,911)
Current income tax liabilities	(383)	(27)	(410)
Deferred income tax liabilities	(17,718)	(29,221)	(46,939)
Deferred income	(6,875)	(19,355)	(26,230)
	(297,692)	(519,399)	(817,091)
Fair value of net identifiable assets	263,386	807,778	1,071,164
Non-controlling interests	–	(321,582)	(321,582)
Goodwill	102,998	113,804	216,802
Total purchase consideration	366,384	600,000	966,384
Total purchase consideration comprises:			
Cash paid during the period ended 30 June 2019	114,540	–	114,540
Prepayment made in 2018	114,540	240,000	354,540
Consideration shares to be issued	137,304	–	137,304
Consideration and withholding tax payable	–	360,000	360,000
	366,384	600,000	966,384

17 Related party transaction

In addition to those related party transactions and balances disclosed elsewhere in the condensed consolidated financial statements, the Group had the following transactions with its related parties during the period ended 30 June 2019.

	(Unaudited)	
	For the six months ended 30 June	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Sales of goods and/or services to		
– fellow subsidiaries	51,308	1,752
Purchase of goods from		
– fellow subsidiaries	269	31
Interest expenses paid/payable to		
– ultimate holding company	1,032	1,769
– an associate	6,387	423
Lease expenses paid to		
– Related company under the common control of the same party with a shareholder with significant influence in the ultimate holding company	864	907
Interest income received from		
– an associate	104	134
Borrowings from		
– an associate	348,000	100,000
Repayment of borrowings to		
– an associate	398,000	40,000

18 Event after the reporting period

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

SHARE OPTIONS

As at 30 June 2019, the Company had the following share options outstanding which were granted to certain directors of the Company and full time employees of the Group in accordance with the terms of the share option scheme of the Company adopted on 29 May 2009 (the “Share Option Scheme”).

Grantees	Number of shares of HKD0.01 each of the Company issuable under the options				Exercise price (HKD)	Percentage of issued share capital of the Company
	Outstanding at 1 January 2019	Granted during the Period	Exercised during the period	Outstanding at 30 June 2019		
Directors of the Company						
Mr. Jiang Xiong	4,000,000	–	–	4,000,000	0.42	0.028%
Dr. Loke Yu	4,000,000	–	–	4,000,000	0.42	0.028%
Mr. Heng Ja Wei	4,000,000	–	–	4,000,000	0.42	0.028%
Mr. Ho Man	2,000,000	–	–	2,000,000	0.42	0.014%
	14,000,000	–	–	14,000,000		0.098%
Other employees	101,625,000	–	–	101,625,000	0.42	0.702%
	115,625,000	–	–	115,625,000		0.8%

The shares options outstanding at 1 January 2019 and 30 June 2019 were granted to the grantees on 26 August 2015. They will be valid for 10 years from 26 August 2015 to 25 August 2025 (both dates inclusive). The Share Option Scheme expired on 28 May 2019, being the date which falls ten years after the date of adoption of the Share Option Scheme. Share options granted but unexercised under the Share Option Scheme remained valid and exercisable according to their terms of issue.

Save as disclosed, no share options were granted, exercised, cancelled or lapsed during the period ended 30 June 2019.

Revenue of the Group for the six months ended 30 June 2019 increased by approximately 59.7% to RMB1,582.8 million as compared to the corresponding period last year. Because of the revenue growth, the Group reported an increase in profit after income tax of 47.7% to RMB94.7 million for the period. An analysis of the Group's business by its business segment, namely airport equipment and automated parking systems, logistic systems, and fire engines and fire prevention and fighting equipment are as follows:

Airport equipment and automated parking systems

Revenue: RMB784.7 million (2018: RMB561.0 million); segment profit before income tax: RMB100.3 million (2018: RMB65.9 million)

Airport equipment segment includes the design, manufacturing, installation and sale of:

- Passenger boarding bridges (PBB): fixed bridges and boarding bridges for connecting airport terminals to commercial aircrafts;
- Ground support equipment (GSE): mainly airport apron buses, aircraft catering vehicles, cargo loaders and other specialized vehicles and PBB-mounted equipment like pre-conditioned air units (PCA) and visual docking guidance systems (VDGS); and
- Automated parking systems (APS): include vertical lifting parking systems, aisle stacking parking systems, vertical and horizontal carriage parking systems and lift-only parking systems.

PBB business has contributed the majority of the revenue and profit of the Group. Revenue and profit before tax of the segment for the six months ended 30 June 2019 increased as compared to corresponding period in 2018 was mainly due to (i) the completion of a number of PBB contracts with considerable size, including the Beijing new airport, Qingdao airport and the Shanghai Pudong airport satellite terminal; and (ii) the effect of the measures adopted to shorten the time of completing PBB contracts and thus speed up the revenue and profit recognition, including subcontracting the production of some of the fixed bridges so as to release capacity for the production of boarding bridges that require higher techniques, and recruit additional installation workers as well as outsource certain installation works to subcontractors.

The Group's PBB service center in Netherland has commenced operation during the period under review. More PBB service centers is expected to be opened in Asia, Europe and North America in the coming years to capture a share in the growing after-sales services market, in particular the bridges renovation business.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Business review (continued)

Logistic systems

Revenue: RMB309.5 million (2018: RMB287.3 million); segment loss before income tax: RMB22.6 million (2018: loss of RMB4.6 million)

Logistic systems comprise mainly the baggage and parcels handling systems, air cargos handling system and automatic intelligent warehousing systems. Revenue for the period increased was mainly due to the increased number of projects for baggage handling systems obtained from new markets like India and Africa last year.

Loss incurred for the period increased in spite of the growth in revenue was due to the recognition of revenue of certain projects in the US with low profit margin. The relevant contracts were signed up at the old time when the management of the US subsidiary was not well-performed. As most of those low-margin orders have come to the completion stage and with the replacement of the general manager of the US subsidiary, there was improvement in profitability of the new orders solicited. Project management in the US has also been strengthened. It is expected that the segment will return to profit in the second half of 2019.

Fire engines and fire prevention and fighting equipment

Revenue: RMB488.6 million (2018: RMB142.8 million); segment profit before income tax: RMB54.8 million (2018: RMB10.9 million)

Since the acquisition of the Shanghai Jindun and Shenyang Jietong completed, the Group's fire engines business have extended to a great extent in terms of geographical market coverage, product portfolio and production capacity. It has now composed of three pillars (other than Albert Ziegler GmbH, the Group's associate): Sichuan Chuanxiao Fire Trucks Manufacturing Co., Ltd. ("**Sichuan Chuanxiao**") and Allied Best (China) Fire Safety Appliances Manufacturing Co., Ltd. ("**Allied Best**"), the Group's first fire engines and fire equipment enterprises, in the South-western China; Shanghai Jindun in the East coastal region of China; and Shenyang Jietong in the North-eastern China.

The surge in revenue and profit before income tax of the segment for the six months ended 30 June 2019 as compared to the same period last year was primarily attributable to (i) the contributions from Shanghai Jindun and Shenyang Jietong since completion of the acquisitions; (ii) the six months contributions from Sichuan Chuanxiao for since January 2019 in contrast with May and June only for 2018 due to the adoption of reversion acquisition accounting after the completion of the Pteris Acquisition (details has been set out in note 2.1 "*Basis of preparation*" to the consolidated financial statements of the Company in annual report 2018); and (iii) growth in revenue of Sichuan Chuanxiao for the period due to a significant number of orders obtained in 2018 and carried forward to current year.

Fire engines and fire prevention and fighting equipment (continued)

In addition to acquiring fire engines manufacturing companies with high potential, in response to the national plans for the development of micro fire stations in China, the Group is expanding its fire safety business by tapping into the emerging mobile fire stations and emergency rescue stations market. In July 2019, the Group established CIMC Anfang which is primarily engaged in, amongst others, the design, technology development, sale and installation of mobile fire stations and emergency rescue stations. Mobile fire and emergency rescue stations, established by assembling different separately manufactured modules that are converted from containers, are characterized with short construction time, space saving, great flexibility and eco-friendly. It could be a quick fill-up of the deficiency in number of fire stations in area which are densely populated, with land supply shortage or due to other reasons that can hardly build a standard fire station and to alleviate the risk from fire and other accidents.

Financial resources and liquidity

The Group has a negative net cash balance of approximately RMB567.0 million at 30 June 2019 (31 December 2018: negative net cash balance of approximately RMB65.7 million) which was broken down as follows:

	At 30 June 2019 <i>RMB'000</i>	At 31 December 2018 <i>RMB'000</i>
Cash and cash equivalent	333,049	468,607
Pledged bank deposits	41,719	10,628
	374,768	479,235
Borrowings:		
– from banks	(721,769)	(274,885)
– from an associate	(220,000)	(270,000)
	(941,769)	(544,885)
Net cash and cash equivalent	(567,001)	(65,650)

The pledged bank deposits at 30 June 2019 were mainly pledged for bid bond guarantee, performance guarantee and guarantee for letter of credit issued by Shanghai Jindun and Shenyang Jietong, the two newly acquired subsidiaries, which will be released in short period of time. The borrowings from an associate was loans borrowed from CIMC Finance Company Limited (“CIMC Finance”), a subsidiary of CIMC and a banking financial institution registered in the PRC for providing financial services to CIMC group companies, for working capital purpose.

There was an increase in the Group’s net cash outflow from operating activities for the six months ended 30 June 2019 as compared to that of last year because the Group has prepaid a consideration amount of VAT tax in the first half of 2019 in order to enjoy a tax preferential treatment. The Group generally has a larger amount of operational cash outflow for stocking and production in the first half of a year to meet the sales peak in the second half. Operation efficiency for 2019 has been improved over that for 2018. There was also a net cash outflow from investing activities for the six months ended 30 June 2019, which was primarily attributable to the funds used for acquisitions of Shanghai Jindun and Shenyang Jietong, for investment in the Tongchuang (see “Management Discussion and Analysis” of this report under the section “*Investments, disposals, capital commitments, contingent liabilities and pledge of assets – Investments*”) and for construction of a dormitory in Shenzhen.

Of the bank borrowings at 30 June 2019, RMB116.5 million is repayable in seven years and the remaining RMB825.3 is short term loans and is repayable in one year. Their repayment is expected to be financed by internal funds generated from operating activities and new borrowings. As at 30 June 2019, current assets and current liabilities of the Group were approximately RMB4,704.2 million (31 December 2018: RMB3,345.1 million) and RMB3,791.4 million (31 December 2018: RMB2,695.0 million) respectively. The current ratio was approximately 1.24 times (31 December 2018: 1.24 times). The loans borrowed during the period for payment of considerations of acquisitions and working capital purpose as well as the borrowings acquired from acquisitions has raised the Group’s gearing ratio, which was calculated as interest bearing debt/total equity, from 20.8% at 31 December 2018 to 28.8% at 30 June 2019.

Some of the Group’s revenue and costs and expenses are settled in currencies other than the functional currencies of the Group’s subsidiaries. To mitigate exposure to exchange rates volatility, the Group enters into forward foreign currency contracts as and when considered appropriate.

Save as disclosed, the Group had no material contingent liabilities or pledge of assets for the period ended 30 June 2019.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Financial resources and liquidity (continued)

Use of proceeds from Subscription

Pursuant to a subscription agreement dated 6 February 2018, the Company issued 673,225,000 shares of the Company to State-Owned Enterprise Structural Adjustment China Merchants Buyout Fund (Limited Partnership)* (深圳國調招商併購股權投資基金合夥企業(有限合夥)), a limited partnership established in the PRC, at HKD0.366 (the “Subscription”). The Subscription was completed on 4 May 2018. The net proceeds from the Subscription were approximately HK\$243.7 million (equivalent to approximately RMB196.4 million) (the “Net Proceeds”). Details of the Subscription has been set out in the circular of the Company dated 15 March 2018 (the “Subscription Circular”).

As at 30 June 2019, the status of the remaining unutilized balance of Net Proceeds was as follows:

	Intended use of Net Proceeds	Utilisation of Net Proceeds		Remaining balance of Net Proceeds at 30 June 2019
		Up to 31 December 2018	From 1 January to 30 June 2019	
<i>Approximately RMB (million)</i>				
Construction of a new PBB factory in the United States of America	58.8	–	–	58.8
Expansion of the PBB business of Pteris Global Limited and its subsidiaries (the “Pteris Group”) into overseas market	58.8	15.6	23.9	19.3
Research and development activities	58.8	58.8	–	–
General working capital	20.0	20.0	–	–
Total	196.4	94.4	23.9	78.1

MANAGEMENT DISCUSSION AND ANALYSIS (continued)**Financial resources and liquidity (continued)***Use of proceeds from Subscription (continued)*

The Group has applied the net proceeds from the Subscription in accordance with the proposed applications as set out in the Subscription Circular. The remaining balance of unutilised Net Proceeds amounted to approximately RMB78.1 million as at 30 June 2019 are intended to be used according to the intentions previously disclosed in the Subscription Circular. The remaining balance of unutilised Net Proceeds as at 30 June 2019 allocated for the expansion of the PBB business of the Pteris Group of approximately RMB19.3 million is expected to be utilised by the fourth quarter of 2019. The amount of Net Proceeds allocated for construction of a new PBB factory in the United States of America is expected to be utilised by the second quarter of 2020. The deferral in the construction of a new PBB factory in the United States of America is due to the difficulties in identifying a suitable location with commercially reasonable terms as well as changes in the relevant business and operating environment. The Group is pushing on with the new PBB factory and has achieved some progress. The Group will make further announcement as and when appropriate. The Board will closely monitor the business environment and review the Group's business and operations from time to time.

Investments, disposals, capital commitments, contingent liabilities and pledge of assets*Investment*

The Group has completed the following investments during the six months ended 30 June 2019:

1. In January 2019, the Group completed the acquisition of 5% equity interests in Shenzhen CIMC Tongchuang Supply Chain Co., Ltd.* (深圳中集同創供應鏈有限公司) (“**Tongchuang**”) from a subsidiary of CIMC, at nil consideration but to assume the vendor's obligation to contribute to the paid-up capital of Tongchuang of RMB10,000,000. Tongchuang is principally engaged in (i) sale and trading of steel and aluminum products; and (ii) provision of supply chain management services. Taking advantage of the bulk purchase privileges of CIMC and the solid relationship that CIMC has built up with suppliers, Tongchuang has established strategic collaborations with domestic steel plants in the PRC. The investment is expected to secure a consistent and reliable supply of steel products and services from Tongchuang for the Group's production activities through foster a closer relationship with Tongchuang. Details of the investment in Tongchuang has been set out in the announcement and circular of the Company dated 28 August 2018 and 16 October 2018 respectively.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Investments, disposals, capital commitments, contingent liabilities and pledge of assets (continued)

Investment (continued)

- In April 2019, the Group completed the acquisition of the entire equity interests in Shanghai Jindun, at a consideration of RMB381,800,000, 60% of which in cash and the remaining 40% by 551,564,448 new shares of the Company at an issue price of HK\$0.3133 each. The vendor of Shanghai Jindun has given guarantees in respect of the financial performance of Shanghai Jindun for the financial years 2018 and 2019, and the Group is entitled to financial compensation in accordance with the terms of the equity transfer agreement if the guaranteed profits or revenue is not achieved. Shanghai Jindun is principally engaged in the manufacturing of fire engines and equipment. Apart from the financial contributions, the acquisition is expected to strengthen the Group's portfolio of fire engines and enlarge its production capacity and geographical market coverage, especially in the south-eastern coastal area of the PRC and the Yangtze River Delta region. Details of the acquisition have been set out in the announcement and circular of the Company dated 19 October 2018 and 25 March 2019 respectively (the "Shanghai Jindun Announcement and Circular").

As at the date of this report, the 551,564,448 consideration shares are yet to be issued subject to the completion of certain procedures in the PRC by the vendor of Shanghai Jindun. As per the audited consolidated financial statements of Shanghai Jindun for the year ended 31 December 2018, the consolidated profit after tax attributable to owners of Shanghai Jindun was RMB50,572,000 which exceeded the 2018 Guaranteed Net Profit of RMB45,710,000 (as defined in the Shanghai Jindun Announcement and Circular) and therefore no financial compensation in respect of the 2018 Guaranteed Net Profit is given.

As disclosed in the Shanghai Jindun Announcement and Circular, Shanghai Jindun possesses the Scientific Research and Production of Arms and Equipment Permit (武器裝備科研生產許可) and the Equipment Production Entity Permit (裝備承製單位許可證) (collectively the "Licenses") and is therefore regarded as a military enterprise (涉軍企業) in the PRC. Pursuant to the Temporary Provisions on the Reorganization and Listing of Military Related Enterprises and the Examination of Capital Operation in Military Projects After Listing (《涉軍企事業單位改制重組上市及上市後資本運作軍工事項審查工作管理暫行辦法》(科工計[2016] 209號)), Shanghai Jindun, as a military enterprise, is required to make a filing (the "Filing") about the change in its shareholdings as a result of the acquisition by the Group to the State Administration of Science, Technology and Industry for National Defence (國防科工局) (the "Authority"). Shanghai Jindun has made the Filing and the Authority is in the process of reviewing the validity of the Licenses due to the ownership change as at the date of this report.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)**Investments, disposals, capital commitments, contingent liabilities and pledge of assets (continued)***Investment (continued)*

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

As per the audited consolidated financial statements of Shenyang Jietong for the year ended 31 December 2018, the consolidated net profit was RMB86,462,000 which exceeded RMB80,000,000 of the 2018 Profit Guarantee (as defined in the Shenyang Jietong Announcement and Circular). According to the terms of the equity transfer agreement, financial compensation, if any, is subject to the satisfaction of the Aggregate Performance Guarantee (as defined in the Shenyang Jietong Announcement and Circular).

Disposal

During the six months ended 30 June 2019, the Group has disposed of the 10% equity interest it held in Shenzhen CIMC Huijie Supply Chain Co., Ltd. (深圳中集匯杰供應鏈有限公司) ("Huijie") (the "Disposal"). The Group acquired the 10% equity interests of Huijie in January 2019 at nil consideration but assuming the obligation of the vendor to contribute to the paid-up capital of Huijie of RMB10,000,000. The Group has not contributed the paid-up capital yet and the purchaser of the Disposal will assume the Group's obligation. The Group incurred no gain or loss on the Disposal. Huijie is principally engaged in the trading of ancillary materials for production such as chemical materials, paint, engine oil etc., provision of hazardous waste treatment services, and machinery repairing and maintenance services. The Disposal allows the Group to better allocate its resources for the development of its core business. Details of the Disposal have been set out in the announcement of the Company dated 21 June 2019.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Investments, disposals, capital commitments, contingent liabilities and pledge of assets (continued)

Capital commitment

As at 30 June 2019, the Group had capital commitment in respect of:

- (i) Construction of factory premises amounted to approximately RMB35.3 million (31 December 2018: RMB58.2 million); and
- (ii) Investment amount committed to the local government of the county in Sichuan where one of the Group's factory is located amounted to approximately RMB3.6 million (31 December 2018: RMB5.2 million).

Save as disclosed herein, the Group has no material capital commitment, contingent liabilities and pledged of assets as at 30 June 2019 and has no material investments, acquisitions or disposals during the six months ended 30 June 2019.

Employees and remuneration policies

For the six months ended 30 June 2019, the Group had 3,775 staff (2018: 2,393) and incurred staff costs (excluding directors' remuneration) of approximately RMB255.3 million (2018: RMB157.0 million). Number of staff increased mainly due to the acquisition of Shanghai Jindun and Shenyang Jietong and additional staff hired due to the business growth. Apart from the increase in number of staff, staff costs rose because of annual salaries adjustments and additional social security funds contributions due to base increment. Staff are remunerated by a monthly salaries payment plus performance incentives payable quarterly or yearly. All full-time employees are entitled to medical, provident funds and housing funds contributions. The Group adopted share option schemes which offer eligible employees an incentive for better performance and loyalty with the Group.

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

DIRECTORS' AND CHIEF EXECUTIVE'S INTEREST IN THE COMPANY'S SECURITIES

Save as disclosed below, as of 30 June 2019, none of the directors or chief executive has any interest or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (Cap. 571 of the Laws of Hong Kong) ("SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or were required, pursuant to section 352 of the SFO to be entered in the register required to be kept therein or which were required, pursuant to the Model Code for Securities Transactions by directors of Listed Companies of the Listing Rules, to be notified to the Company and the Stock Exchange.

Long positions in ordinary shares of the Company

Name of Director	Capacity and types of interest	Number of issued shares of HKD0.01 each of the Company held	Percentage of issued share capital of the Company
Mr. Jiang Xiong	Beneficial owner	981,600,000	6.78%

Options to subscribe for ordinary shares in the Company

Certain directors of the Company were granted share options which when exercised were eligible to subscribe for, in total, 14,000,000 shares of the Company. Details of the share options granted has been set out in the section "SHARE OPTIONS" to this report.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND/OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OF THE COMPANY

As at 30 June 2019, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of certain directors of the Company, the following shareholders had notified the Company of their relevant interests in the issued share capital of the Company.

Long positions in the ordinary shares and shares interested under equity derivatives of the Company

Shareholders	Capacity/type of interest	Number of shares interested (other than under equity derivatives) (Note 10)	Percentage of issued shares (Note 10)	Number of shares interested under equity derivatives (Note 11)	Total number of shares/ underlying shares under equity derivatives (Note 11)	Percentage of issued shares (Note 12)
Sharp Vision Holdings Limited ("Sharp Vision")	Beneficial owner	6,164,472,279	42.6%	3,454,490,318	9,618,962,597	50.5%
CIMC Top Gear B.V.	Beneficial owner	1,223,571,430	8.5%	–	1,223,571,430	6.4%
Cooperatie CIMC U.A.	Interest of a controlled corporation (Note 1)	1,223,571,430	8.5%	–	1,223,571,430	6.4%
China International Marine Containers (Hong Kong) Limited ("CIMC HK")	Interest of a controlled corporation (Note 2 & 3)	7,388,043,709	51.1%	3,454,490,318	10,842,534,027	56.9%
CIMC	Interest of a controlled corporation (Note 4)	7,388,043,709	51.1%	3,454,490,318	10,842,534,027	56.9%
Fengqiang Holdings Limited ("Fengqiang")	Beneficial owner	2,290,956,291	15.8%	325,795,402	2,616,751,693	13.7%
Fengqiang Hong Kong Co., Limited ("Fengqiang HK")	Interest of a controlled corporation (Note 5)	2,290,956,291	15.8%	325,795,402	2,616,751,693	13.7%
Shenzhen TGM Ltd.* (深圳特哥盟科技有限公司) ("TGM")	Interest of a controlled corporation (Note 5)	2,290,956,291	15.8%	325,795,402	2,616,751,693	13.7%
Genius Earn Limited	Beneficial owner	115,375,000	0.8%	–	115,375,000	0.6%
Lucky Rich Holdings Limited ("Lucky Rich")	Beneficial owner	1,264,679,470	8.7%	697,884,300	1,962,563,770	10.3%

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND/OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OF THE COMPANY (continued)

Long positions in the ordinary shares and shares interested under equity derivatives of the Company (continued)

Shareholders	Capacity/type of interest	Number of shares interested (other than under equity derivatives) (Note 10)	Percentage of issued shares (Note 10)	Number of shares interested under equity derivatives (Note 11)	Total number of shares/ underlying shares under equity derivatives (Note 11)	Percentage of issued shares (Note 12)
Shanghai Yunrong Investment Centre* (上海蘆融投資中心(有限合夥))	Interest of a controlled corporation (Note 6)	1,264,679,470	8.7%	697,884,300	1,962,563,770	10.3%
Shenzhen Jiuming Investment Consulting Co., Ltd.* (深圳市久名投資諮詢有限公司)	Interest of a controlled corporation (Note 6)	1,264,679,470	8.7%	697,884,300	1,962,563,770	10.3%
Liu Xiaolin	Interest of a controlled corporation (Note 7)	1,380,054,470	9.5%	697,884,300	2,091,563,770	10.9%
Yang Yuan	Interest of Spouse (Note 8)	1,380,054,470	9.5%	697,884,300	2,091,563,770	10.9%
Dazi Dingcheng Capital Investment Co., Ltd.* (達孜縣鼎誠資本投資有限公司)	Interest of a controlled corporation (Note 9)	1,264,679,470	8.7%	697,884,300	1,962,563,770	10.3%
Beijing Zhongrong Dingxin Investment Management Co., Ltd.* (北京中融鼎新投資管理有限公司)	Interest of a controlled corporation (Note 9)	1,264,679,470	8.7%	697,884,300	1,962,563,770	10.3%
Zhongrong International Trust Co., Ltd.* (中融國際信託有限公司)	Interest of a controlled corporation (Note 9)	1,264,679,470	8.7%	697,884,300	1,962,563,770	10.3%
Jingwei Textile Machinery Co., Ltd	Interest of a controlled corporation (Note 9)	1,264,679,470	8.7%	697,884,300	1,962,563,770	10.3%

* The English translations of the Chinese names of such PRC entities are provided for identification purpose only.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND/OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OF THE COMPANY (continued)

Long positions in the ordinary shares and shares interested under equity derivatives of the Company (continued)

Notes:

1. Cooperatie CIMC U.A. is beneficially interested in the entire share capital of CIMC Top Gear B.V. and is taken to be interested in the 1,223,571,430 shares in which CIMC Top Gear B.V. has declared interest for the purpose of the SFO.
2. CIMC HK and CIMC are beneficially interested in 1% and 99% respectively of the issued share capital of Cooperatie CIMC U.A. and are taken to be interested in the 1,223,571,430 shares in which Cooperatie CIMC U.A. has declared interest for the purpose of the SFO.
3. CIMC HK is beneficially interested in the entire share capital of Sharp Vision and is taken to be interested in the 6,164,472,279 shares and 3,454,490,318 shares interested under equity derivatives in which Sharp Vision has declared interest for the purpose of the SFO.
4. CIMC is beneficially interested in the entire share capital of CIMC HK and is taken to be interested in the 6,164,472,279 shares and 3,454,490,318 shares interested under equity derivatives in which CIMC HK in which CIMC HK has declared interest for the purpose of the SFO.
5. Fengqiang HK is beneficially interested in the entire share capital of Fengqiang and is deemed or taken to be interested in the 2,290,956,291 shares and 325,795,402 shares interested under equity derivatives in which Fengqiang has declared an interest for the purpose of the SFO. TGM is beneficially interested in the entire share capital of Fengqiang HK and is deemed or taken to be interested in the 2,290,956,291 shares and 325,795,402 shares interested under equity derivatives in which shares interested under equity derivatives has declared an interest for the purpose of the SFO.
6. Shanghai Yunrong is beneficially interested in the entire share capital of Lucky Rich and is deemed or taken to be interested in the 1,264,679,470 shares and 697,884,300 shares interested under equity derivatives in which Lucky Rich has declared an interest for the purpose of SFO. Shenzhen Jiuming Investment Consulting Co., Ltd. is beneficially interested in 0.2% of Shanghai Yunrong.
7. Mr. Liu Xiaolin is beneficially interested in the entire share capital of Genius Earn Ltd. and is deemed or taken to be interested in the 115,375,000 shares in which Genius Earn Ltd. has declared an interest for the purpose of SFO. Mr. Liu Xiaolin is beneficially interested in the entire share capital of Shenzhen Jiuming Investment Consulting Co., Ltd.
8. Ms. Yang Yuan is the spouse of Mr. Liu Xiaolin. Ms. Yang Yuan is taken to be interested in the shares in which Mr. Liu Xiaolin has declared interest for the purpose of the SFO.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND/OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OF THE COMPANY (continued)

Long positions in the ordinary shares and shares interested under equity derivatives of the Company (continued)

Notes: (continued)

9. Dazi Dingcheng Capital Investment Co., Ltd. is beneficially interested in 0.2% of the issued share capital of Shanghai Yunrong. Beijing Zhongrong Dingxin Investment Management Co., Ltd is beneficially interested in the entire issued share capital of Dazi Dingcheng Capital Investment Co., Ltd. and is beneficially interested in 88.5% of the issued share capital of Shanghai Yunrong. Zhongrong International Trust Co., Ltd. is beneficially interested in the entire issued share capital of Beijing Zhongrong Dingxin Investment Management Co., Ltd. Jingwei Textile Machinery Co., Ltd. is beneficially interested in 37.47% of the issued share capital of Zhongrong International Trust Co., Ltd.
10. The number of shares and percentage stated represents the number of shares held as stated in the relevant disclosure of interest forms and as percentage of the issued share capital of the Company at 30 June 2019.
11. Number of shares represents the number of shares held assuming all of the outstanding convertible bonds held have been fully converted, as stated in the relevant disclosure of interest forms.
12. Percentage calculated based on the total number of shares of the Company in issue, assuming (i) all of the convertible bonds of the Company have been fully converted; and (ii) all of the share options of the Company have been exercised.

Other than as disclosed above, the Company has not been notified of any other interests or short position in the issued share capital of the Company as at 30 June 2019.

COMPETING INTERESTS

None of the directors of the Company or the management shareholder of the Company and their respective associates (as defined in the Listing Rules) had any interest in a business which competes or may compete with the business of the Group or had any other conflicts of interest, which any such person has or may have with the Group.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the period or at any time during the period.

DIRECTORS' SECURITIES TRANSACTIONS

During the period ended 30 June 2019, the Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in the Model Code in Appendix 10 of the Listing Rules. Having made enquiry of all directors, they confirmed that they have complied with the required standard set out in the Model Code and its code of conduct regarding directors' securities transactions.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the period ended 30 June 2019, neither the Company nor any of its subsidiaries purchased, cancelled or redeemed any listed securities of the Company.

CORPORATE GOVERNANCE

Corporate governance practices

Throughout the period ended 30 June 2019, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices set out in Appendix 14 of the Listing Rules, except for the following:

1. There were no fixed terms of appointment for the directors although they are subject to retirement by rotation according to the Company's articles of association. The Board is of the opinion that this serves the same objectives of the relevant provision.
2. According to the articles of association, no director holding office as chairman and/or managing director shall be subject to retirement by rotation.

CORPORATE GOVERNANCE (continued)

Audit Committee

The audit committee comprises three independent non-executive directors, Dr. Loke Yu, Mr. Heng Ja Wei and Mr. Ho Man. The primary duties of the audit committee are to review the Company's annual report and accounts and half-yearly reports and to provide advices and comments thereon to the Board. The audit committee is also responsible for reviewing and supervising the financial reporting process and internal control procedures of the Group.

The Group's results for the period have been reviewed by the audit committee.

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

As at the date of this report, the Company's Directors are as follows:

<i>Dr. Li Yin Hui</i>	<i>Chairman and Non-executive Director</i>
<i>Mr. Jiang Xiong</i>	<i>Honorary Chairman and Executive Director</i>
<i>Mr. Zheng Zu Hua</i>	<i>Executive Director</i>
<i>Mr. Luan You Jun</i>	<i>Executive Director</i>
<i>Mr. Yu Yu Qun</i>	<i>Non-executive Director</i>
<i>Mr. Robert Johnson</i>	<i>Non-executive Director</i>
<i>Dr. Loke Yu</i>	<i>Independent non-executive Director</i>
<i>Mr. Heng Ja Wei</i>	<i>Independent non-executive Director</i>
<i>Mr. Ho Man</i>	<i>Independent non-executive Director</i>

Hong Kong, 27 August 2019