VOLUNTARY CONDITIONAL CASH OFFER

For and on behalf of

CHINA MERCHANTS INDUSTRY INVESTMENT LIMITED
(Company Registration No.: 2200879)
(Incorporated in Hong Kong SAR)

a wholly-owned subsidiary of

招商工业
CHINA MERCHANTS INDUSTRY

CHINA MERCHANTS INDUSTRY HOLDINGS CO., LTD.
(Company Registration No.: 630843)
(Incorporated in Hong Kong SAR)

by

UOB 大华银行

UNITED OVERSEAS BANK LIMITED
(Company Registration No.: 193500026Z)
(Incorporated in Singapore)

OFFER DOCUMENT DATED 25 NOVEMBER 2019

THIS OFFER DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. PLEASE READ IT CAREFULLY.

to acquire all the issued and paid-up ordinary shares in the capital of

中航国际船舶控股有限公司
AVIC International Maritime Holdings Limited

AVIC INTERNATIONAL MARITIME HOLDINGS LIMITED
(Company Registration No.: 201024137N)
(Incorporated in Singapore)

other than those already owned, controlled or agreed to be acquired by the Offeror

Offer Price of
S$0.15
IN CASH
for each Offer Share

CLOSE OF THE OFFER

ACCEPTANCES SHOULD BE RECEIVED BY THE CLOSE OF THE OFFER AT 5.30 P.M. (SINGAPORE TIME) ON 23 DECEMBER 2019, OR SUCH LATER DATE(S) AS MAY BE ANNOUNCED FROM TIME TO TIME BY OR ON BEHALF OF THE OFFEROR.

IMPORTANT NOTICE

If you are in any doubt about this Offer (as defined herein) or the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately. The contents of this Offer Document have not been reviewed by any regulatory authority in any jurisdiction. You are advised to exercise caution in relation to the Offer. If you are in any doubt about any of the contents of this Offer Document, you should obtain independent professional advice.

The views of the Independent Directors (as defined herein) and the independent financial adviser to the Independent Directors on the Offer will be made available to you by the Company (as defined herein) in due course. You may wish to consider their views before taking any action in relation to the Offer.

If you have sold or transferred all of your issued and paid-up ordinary shares in the capital of the Company (the "**Shares**") which are not deposited with The Central Depository (Pte) Limited ("**CDP**"), you should immediately hand this Offer Document and the accompanying Form of Acceptance and Transfer for Offer Shares ("**FAT**") to the purchaser or the transferee or to the bank, stockbroker or agent through whom you effected the sale or the transfer, for onward transmission to the purchaser or the transferee.

If you have sold or transferred all your Shares held through CDP, you need not forward this Offer Document and the accompanying Form of Acceptance and Authorisation for Offer Shares ("**FAA**") to the purchaser or the transferee as arrangements will be made by CDP for a separate Offer Document and FAA to be sent to the purchaser or the transferee.

The Singapore Exchange Securities Trading Limited (the "**SGX-ST**") assumes no responsibility for the correctness of any of the statements made, reports contained or opinions expressed in this Offer Document.

The procedures for acceptance of the Offer are set out in Appendix 2 on pages 22 to 27 of this Offer Document, and in the accompanying FAA and/or FAT.

NOT FOR RELEASE, PUBLICATION OR DISTRIBUTION, IN WHOLE OR IN PART, IN, INTO OR FROM ANY JURISDICTION WHERE TO DO SO WOULD CONSTITUTE A VIOLATION OF THE RELEVANT LAWS OF THAT JURISDICTION. THIS OFFER DOCUMENT SHALL NOT CONSTITUTE AN OFFER TO BUY SECURITIES IN ANY JURISDICTION WHERE SUCH OFFER IS UNLAWFUL OR UNAUTHORISED.

ALL CAPITALISED TERMS SHALL, IF NOT OTHERWISE DEFINED, BEAR THE SAME MEANINGS AS ASCRIBED TO THEM IN THIS OFFER DOCUMENT.

What should I know about the Offer?

1 Offer presents Shareholders with a clean cash exit opportunity

- The Offer presents you with a unique cash exit opportunity to realise your entire investment in the Company at a fixed price with certainty.
- The opportunity to exit may not otherwise be available due to the historical low trading liquidity of the Shares.
- The average daily trading volume of the Shares during the 1-month, 3-month, 6-month and 12-month periods, up to and including the Last Trading Day, each represents less than 0.06% of the total number of issued Shares.
- You will be paid for your Offer Shares **without incurring any brokerage and other trading costs**.

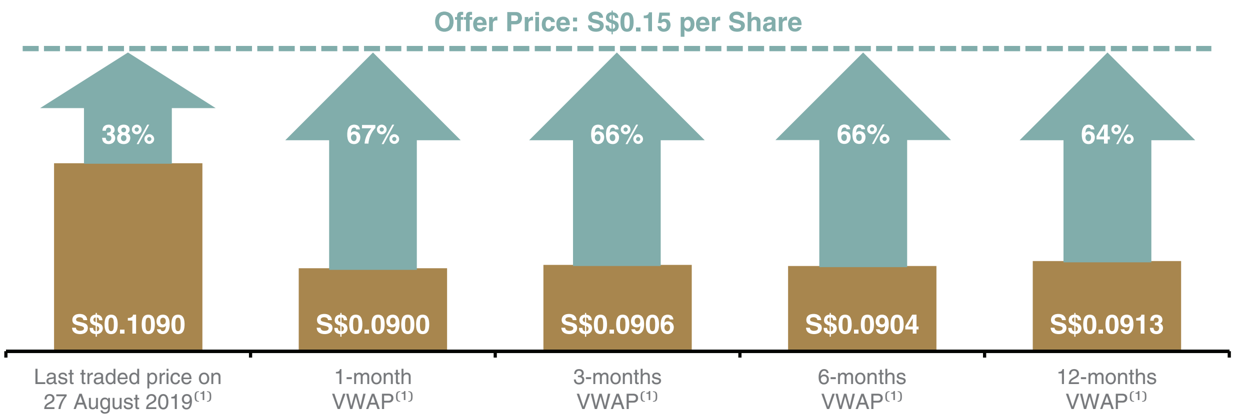
Assuming the Offer becomes or is declared unconditional in all respects in accordance with its terms, a Shareholder who validly accepts the Offer will receive

S$0.15 in cash for each Offer Share

An illustration of the consideration to be received by a Shareholder who validly accepts the Offer:

1,000 Offer Shares = S$150	**10,000 Offer Shares = S$1,500**	**50,000 Offer Shares = S$7,500**

2 Offer Price is at significant premiums to historical benchmarks



(1) S$ figures (other than the Offer Price) in the graph above are calculated based on data extracted from Bloomberg L.P. as at 27 August 2019, being the last trading day prior to the Pre-Conditional Offer Announcement, and rounded to the nearest four decimal places. Premia rounded to the nearest per cent..

All capitalised terms shall, if not otherwise defined, bear the same meanings as ascribed to them in this Offer Document.

本现金要约须知

1 本要约为股东提供了一个现金退出的良机

- 本要约为您提供了一个独特的机会以固定的现金价款来套现您在公司的全部投资。
- 鉴于股份的交易流动性较低，股东可能无法在其他情况下获得现金退出的机会。
- 截至最后交易日(包括该日)止1个月3个月6个月和12个月期间，股份的每日平均交易量普遍偏低，各自少于已发行股份总数的0.06%。
- 您将在**无需承担任何经纪佣金或其它的交易费用**的情况下获得现金价款。

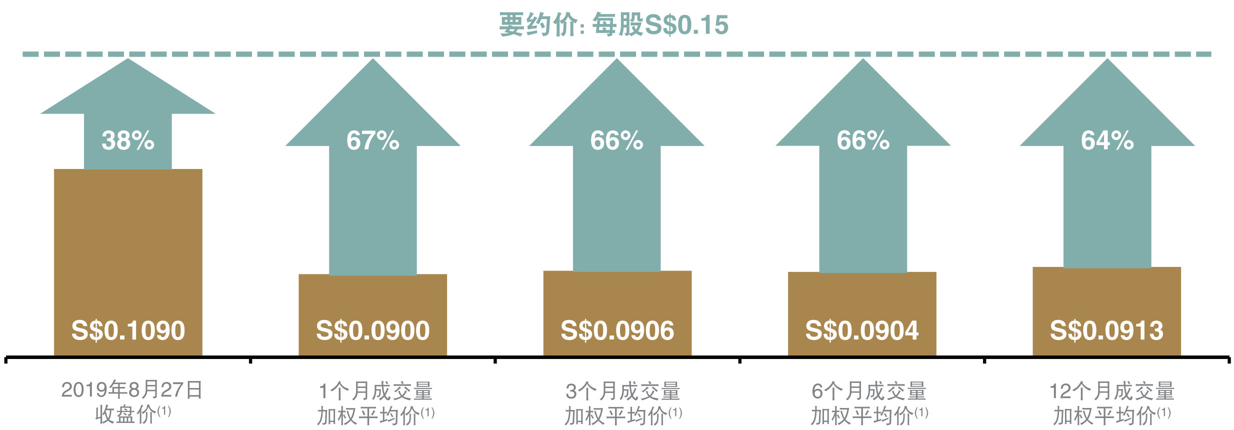
如果要约根据其条款在各方面成为或被宣布成为无条件要约，有效接受要约的股东将获得

每要约股份现金0.15新元

下列列子说明股东有效接受要约能获得的价款，供参考：

1,000 要约股份 = S$150	10,000 要约股份 = S$1,500	50,000 要约股份 = S$7,500

2 对比过往股价，要约价的溢价相当可观



(1) 数据来源：于2019年8月27日取自彭博。2019年8月27日为在预先要约公告前的最后交易日。溢价根据四舍五入至小数点后四位数的股价作为计算基础。百分比四舍五入至最接近的百分比。

所有术语的含义均以本要约文件中的定义为准。此中文版要约简介源自于英文版。如中文版和英文版存在不一致之处，皆以英文版为准。

What should I know about the Offer?

3 What are the Offeror's intentions for the Company?

- The Offeror intends to gain majority control of the Company.
- In the event that less than 10% of the Shares (excluding treasury shares) are held in public hands, the Offeror has no intention to support any action or take any steps to maintain the listing status of the Company on the SGX-ST.
- If and when entitled, the Offeror intends to exercise its rights of compulsory acquisition.

4 What is required for the Offer to turn unconditional?

- The Offer will turn unconditional when the Offeror and parties acting in concert with it hold more than 50 per cent. of the Shares by the close of the Offer.
- The Offeror has received the AIHL Irrevocable Undertaking in respect of approximately 73.87 per cent. of the total Shares, whereby AIHL undertakes to accept to Offer by no later than three business days after the date of despatch of this Offer Document.
- The Offer will become unconditional in all respects upon AIHL having tendered its acceptance for the Offer.

5 When will I get paid if I accept the Offer?

- If you accept the Offer **on or before the date it turns unconditional**, you will be paid within seven Business Days after the Offer becomes unconditional.
- If you accept the Offer **after it becomes unconditional**, you will be paid within seven Business Days after your valid acceptance is received.

6 What happens if I do not accept the Offer?

- You will continue to own your Shares in the Company unless the Offeror receives sufficient acceptances and exercises its right of compulsory acquisition.
- There is no assurance that the Company will remain listed on the SGX-ST if less than 10% of the Shares (excluding treasury shares) are held in public hands.

All capitalised terms shall, if not otherwise defined, bear the same meanings as ascribed to them in this Offer Document.

本现金要约须知

3 要约方对公司的意图？

- 要约方的意图是要拿到公司的控股权。
- 如果公司的公众持股量不足已发行股份总数的10%(不包括库存股)时，要约方无意采取任何措施维持公司目前的上市地位。
- 要约方如果及有权时，将会行使据公司法所赋予的强制收购权利。

4 本要约如何成为无条件要约？

- 要约须待要约方在要约截止时或之前已就将导致要约方和一致行动人持有超过公司于要约截止时股份总数的50%的有效要约接受，方告作实。
- 要约方已收到持有约73.87%公司已发行股份的AIHL作出的接受本要约的不可撤消承诺。AIHL将在寄发本要约文件的3个工作日之内接受本要约。
- 本要约会在AIHL的有效接受后在各方面成为或被宣布成为无条件要约。

5 如果我接受本要约，将何时收到现金价款？

- 如果您在要约**尚未成为无条件要约**有效接受本要约，您将在要约成为无条件要约之后的7个工作日内收到现金价款。
- 如果您在要约**已成为无条件要约**有效接受本要约，您将在要约方收到您对要约的有效接受后的7个工作日之内收到现金价款。

6 如果我不接受本要约会怎么样？

- 除非要约方收到足够的要约接受数量并实行强制收购权利，您将继续拥有所持有公司股份。
- 如果公众持有的公司股份不足已发行股份总数的10%(不包括库存股)时，公司无保证是否继续在新加坡交易所上市。

所有术语的含义均以本要约文件中的定义为准。此中文版要约简介源自于英文版。如中文版和英文版存在不一致之处，皆以英文版为准。

How can I accept the Offer?

Step 1 Locate the Relevant Acceptance Form(s) enclosed with the Offer Document

For Shares which are deposited with CDP (i.e. in scripless form)	Please use the FAA. Contact CDP at +65 6535 7511 if you have misplaced the FAA.
For Shares which are not deposited with CDP (i.e. in scrip form)	Please use the FAT. Contact the Registrar at +65 6536 5355 if you have misplaced the FAT.
For CPFIS/SRS Investors or for Shares which are held though nominees	Please contact your respective CPF/SRS agent banks or nominees directly.

Electronic copies are available from the website of the SGX-ST at www.sgx.com.

- Click on “Securities”► “Company Information” ►“Company Announcements”.
- Select “AVIC INTERNATIONAL MARITIME HOLDINGS LIMITED”.
- The Relevant Acceptance Form(s) are appended to the announcement dated 25 November 2019 relating to the despatch of this Offer Document.

Step 2 Fill in your details and return the Relevant Acceptance Form(s) to accept the Offer

How to fill in the FAA?

- Check or fill in your personal particulars and Securities Account Number.
- Under Part A of Section A, fill in the number of Offer Shares that you wish to tender in acceptance in acceptance of the Offer. You may choose to tender all, part or none of your Offer Shares.
- Fill in the applicable date and proceed to sign off on the bottom right hand corner of the FAA.
- Return the signed and completed FAA by the closing date.

SECTION A – ACCEPTANCE THROUGH FAA

I/We hereby irrevocably authorise CDP to effect the transfer from my/our Securities Account with CDP of the following number of Offer Shares to the Securities Account maintained with CDP of the Offeror or the Transferee:

SAMPLE

		Please indicate the number of Offer Shares you wish to tender in acceptance of the Offer
Part A	Number of Offer Shares now standing to the credit of the “Free Balance” of my/our Securities Account in respect of which the Offer is accepted	
NOTE: Please refer to paragraphs 2 and 3 of page 2 of this FAA for instructions on inserting the number of Offer Shares above.		

SAMPLE

PLEASE SIGN HERE

Date

Signature(s) / Thumbprint(s) of Depositor(s) / Joint Depositors.
For corporations, please sign as per your signing mandate and where appropriate, the Common Seal to be affixed in accordance with your Constitution or relevant constitutive documents.

The procedures for acceptance of the Offer are set out in Appendix 2 on pages 22 to 27 of this Offer Document, and in the accompanying FAA and/or FAT.

All capitalised terms shall, if not otherwise defined, bear the same meanings as ascribed to them in this Offer Document.

如何接受要约

第1步 请找出要约文件附带的相关接受表格

存放于CDP的股票	请填写FAA。如果您找不到FAA，请拨打+65 6535 7511 联系CDP。
未存放于CDP的股票	请填写FAT。如果您找不到FAT，请拨打+65 6536 5355 联系Registrar 。
CPFIS/SRS投资者或存放于代名人的股票	请直接联系您各自的CPF/SRS代理银行或代名人。

电子副本可以从新加坡证券交易所网站 www.sgx.com 下载。

- 点击 “证券”► “公司披露” ► “公司公告”。
- 选择 “AVIC INTERNATIONAL MARITIME HOLDINGS LIMITED”。
- 相关接受表格随附于2019年11月25日有关寄发本要约文件的公告。

第2步 填写并交回相关接受表格以示接受本要约

如何填写FAA?

- 请核对您的个人信息和证券帐户号码。
- 请在A章节的A部分中，填写您有意接受要约的要约股份数量。您可以提交您的全部或部分股份，或不提交任何要约股份。
- 请填写适用日期，然后在FAA接受表格的右下角签名。
- 请在要约截止日期之前交回经签署和填妥的FAA接受表格。

SECTION A – ACCEPTANCE THROUGH FAA

I/We hereby irrevocably authorise CDP to effect the transfer from my/our Securities Account with CDP of the following number of Offer Shares to the Securities Account maintained with CDP of the Offeror or the Transferee:

		Please indicate the number of Offer Shares you wish to tender in acceptance of the Offer
Part A	Number of Offer Shares now standing to the credit of the "Free Balance" of my/our Securities Account in respect of which the Offer is accepted	

NOTE: Please refer to paragraphs 2 and 3 of page 2 of this FAA for instructions on inserting the number of Offer Shares above.

SAMPLE

PLEASE SIGN HERE

Date

Signature(s) / Thumbprint(s) of Depositor(s) / Joint Depositors.

For corporations, please sign as per your signing mandate and where appropriate, the Common Seal to be affixed in accordance with your Constitution or relevant constitutive documents.

SAMPLE

有关接受要约的程序详情载于要约文件附录2(第22至27页)以及FAA和/或FAT接受表格中。

所有术语的含义均以本要约文件中的定义为准。此中文版要约简介源自于英文版。如中文版和英文版存在不一致之处，皆以英文版为准。

Important Dates and Times

Despatch of this Offer Document	25 November 2019
Despatch of the Company's circular in relation to the Offer	No later than 9 December 2019
Closing time and date	**5.30 p.m. (Singapore time) on 23 December 2019** (or such later date(s) as may be announced from time to time by or on behalf of the Offeror)

Key Contact Information

Any inquiries relating to the Offer should be directed during office hours to:

United Overseas Bank Limited
Mergers & Acquisitions

Tel: (65) 6539 7066

Important Notice

The information in this section is a summary of this Offer Document and is qualified by, and should be read in conjunction with, the full information contained in the rest of this Offer Document. In the event of any inconsistency or conflict between the terms of this section and the rest of this Offer Document, the terms set out in this Offer Document shall prevail.

Nothing in this section is intended to be, or shall be taken as, advice, recommendation or solicitation to the Shareholders or any other party. United Overseas Bank Limited ("**UOB**") is acting for and on behalf of the Offeror and does not purport to advise the Shareholders and/or any other person.

Shareholders are advised to exercise caution when dealing in their Shares and refrain from taking any action in relation to their Shares which may be prejudicial to their interests.

The views of the Independent Directors and the independent financial adviser to the Independent Directors on the Offer will be made available to Shareholders in due course. The Independent Directors are required under the Code to despatch their views within 14 days of the posting of this Offer Document. Shareholders may wish to consider their advice before taking any action in relation to the Offer.

All capitalised terms shall, if not otherwise defined, bear the same meanings as ascribed to them in this Offer Document.

重要日期和时间

本要约文件寄发日期	2019年11月25日
公司关于要约通函的寄发日	2019年12月9日或之前
截止时间和日期	**2019年12月23日下午5时30分(新加坡时间)**或要约方或其代表可能不时公告的更迟日期

主要联系信息

若您对要约有任何疑问，欢迎在办公时间致电：

大华银行
并购部

Tel: (65) 6539 7066

重要声明

本节所载信息仅为要约文件的概要，故应于本要约文件其他部分所载的全部内容一同阅读。若本节于本要约文件其他部分存在任何不一致或相冲突的条款，则应以本要约文件中的所列条款为准。

本节所列的任何信息并未意在或可被作为提供给股东或其他任何各方的意见、推荐或游说。大华银行为要约方服务并代表要约方行事，而并非旨在向任何股东或其他任何各方提供意见。

建议股东在处置其公司股票时谨慎行事，并避免采取任何可能对其不利的有关其公司股票的行为。

独立董事和独立董事委任的独立财务顾问对该要约的意见将在合适的时候提供给股东。独立董事必须按新加坡收购及合并守则的规定在该要约文件寄发后的14天内寄发其意见书。股东在对该要约采取任何行动前可参考独立董事及独立财务顾问的意见。

所有术语的含义均以本要约文件中的定义为准。此中文版要约简介源自于英文版。如中文版和英文版存在不一致之处，皆以英文版为准。

TABLE OF CONTENTS

Except where the context otherwise requires, the following definitions apply throughout this Offer Document and the Relevant Acceptance Forms:

"**Accepting Shareholder**"	:	Shall have the meaning ascribed to it in **Section 2.5** of the Letter to Shareholders in this Offer Document
"**Adjusted Offer Price**"	:	Shall have the meaning ascribed to it in **Section 2.5(b)** of the Letter to Shareholders in this Offer Document
"**ADTV**"	:	Average Daily Trading Volume
"**AIHL**"	:	AVIC International Holdings Limited
"**AIHL Irrevocable Undertaking**"	:	Shall have the meaning ascribed to it in **Section 6.2** of the Letter to Shareholders in this Offer Document
"**AVIC Group**"	:	Means AVIC International Holding Corporation and its subsidiaries, but excluding the Target Group
"**AVIC Group Corporate Guarantees**"	:	Shall have the meaning ascribed to it in **Section 7.1** of the Letter to Shareholders in this Offer Document
"**AVIC Group Corporate Guarantors**"	:	Shall have the meaning ascribed to it in **Section 7.1** of the Letter to Shareholders in this Offer Document
"**Books Closure Date**"	:	Shall have the meaning ascribed to it in **Section 2.5(a)** of the Letter to Shareholders in this Offer Document
"**Business Day**"	:	A day other than Saturday, Sunday or a public holiday on which banks are open for business in Singapore
"**CDP**"	:	The Central Depository (Pte) Limited
"**CMG**"	:	Shall have the meaning ascribed to it in **Section 4.2** of the Letter to Shareholders in this Offer Document
"**CMIH**"	:	China Merchants Industry Holdings Co., Ltd.
"**CMIH Directors**"	:	The directors of CMIH as at the Latest Practicable Date
"**CPF**"	:	Central Provident Fund
"**CPF Agent Banks**"	:	Agent banks included under the CPFIS
"**CPFIS**"	:	Central Provident Fund Investment Scheme
"**CPFIS Investors**"	:	Investors who purchase Shares using their CPF contributions pursuant to the CPFIS
"**Catalist Rules**"	:	The SGX-ST Listing Manual Section B: Rules of the Catalist in force as at the Latest Practicable Date
"**Closing Date**"	:	5.30 p.m. (Singapore time) on 23 December 2019 or such later date(s) as may be announced from time to time by or on behalf of the Offeror, such date being the last day for the lodgement of acceptances of the Offer
"**Code**"	:	The Singapore Code on Take-overs and Mergers

"**Commencement Date**"	:	25 November 2019, being the date of despatch of this Offer Document
"**Companies Act**"	:	The Companies Act, Chapter 50 of Singapore
"**Company**"	:	AVIC International Maritime Holdings Limited
"**Corporate Guarantee Beneficiaries**"	:	Shall have the meaning ascribed to it in **Section 7.1** of the Letter to Shareholders in this Offer Document
"**Date of Receipt**"	:	The date of receipt of the Relevant Acceptance Forms by CDP or the Registrar/Receiving Agent (as the case may be), on behalf of the Offeror (provided always that the Date of Receipt falls on or before the Closing Date)
"**Dissenting Shareholders**"	:	Shall have the meaning ascribed to it in **Section 11.1** of the Letter to Shareholders in this Offer Document
"**Distributions**"	:	Shall have the meaning ascribed to it in **Section 2.4** of the Letter to Shareholders in this Offer Document
"**Electronic Acceptance**"	:	The SGX-SFG service provided by CDP as listed in the Terms and Conditions for User Services for Depository Agents
"**Encumbrances**"	:	Shall have the meaning ascribed to it in **Section 2.4** of the Letter to Shareholders in this Offer Document
"**FAA**"	:	Form of Acceptance and Authorisation for Offer Shares in respect of the Offer, applicable to Shareholders whose Shares are deposited with CDP and which forms part of this Offer Document
"**FAT**"	:	Form of Acceptance and Transfer for Offer Shares in respect of the Offer, applicable to Shareholders whose Shares are registered in their own names in the Register and are not deposited with CDP and which forms part of this Offer Document
"**Final Day Rule**"	:	Shall have the meaning ascribed to it in **Paragraph 1.5** of **Appendix 1** to this Offer Document
"**Free Float Requirement**"	:	Shall have the meaning ascribed to it in **Section 11.4** of the Letter to Shareholders in this Offer Document
"**Further Shares**"	:	Shall have the meaning ascribed to it in **Section 6.2(a)** of the Letter to Shareholders in this Offer Document
"**HK$**"	:	Hong Kong dollars, being the lawful currency of Hong Kong
"**IA**"	:	Shall have the meaning ascribed to it in **Section 6.1** of the Letter to Shareholders in this Offer Document
"**Independent Directors**"	:	The directors of the Company who are considered to be independent for the purposes of the Offer
"**Last Trading Day**"	:	27 August 2019, being the last full trading day of the Shares prior to the Pre-Conditional Offer Announcement Date

"**Latest Practicable Date**"	:	18 November 2019, being the latest practicable date prior to the printing of this Offer Document
"**Market Day**"	:	A day on which the SGX-ST is open for the trading of securities
"**Offer**"	:	The voluntary conditional cash offer made by UOB, for and on behalf of the Offeror, for the Offer Shares on the terms and subject to the conditions set out in this Offer Document, the FAA and the FAT, as such offer may be amended, extended and revised from time to time by or on behalf of the Offeror
"**Offer Announcement**"	:	The announcement relating to the Offer released by the Offeror on the Offer Announcement Date
"**Offer Announcement Date**"	:	11 November 2019, being the date of the Offer Announcement
"**Offer Price**"	:	S$0.15 in cash for each Offer Share
"**Offer Shares**"	:	All the Shares to which the Offer relates, as more particularly defined in **Section 2.2** of the Letter to Shareholders in this Offer Document
"**Offeror**"	:	China Merchants Industry Investment Limited
"**Offeror Directors**"	:	The directors of the Offeror as at the Latest Practicable Date
"**Overseas Shareholder**"	:	Shall have the meaning ascribed to it in **Section 14.1** of the Letter to Shareholders in this Offer Document
"**Pre-Conditional Offer Announcement**"	:	The announcement released by the Offeror on the Pre-Conditional Offer Announcement Date in relation to the pre-conditional voluntary general offer by the Offeror for all the Offer Shares
"**Pre-Conditional Offer Announcement Date**"	:	27 August 2019, being the date of the Pre-Conditional Offer Announcement
"**Receiving Agent**"	:	Boardroom Corporate & Advisory Services Pte. Ltd.
"**Register**"	:	The register of holders of Shares, as maintained by the Registrar
"**Registrar**"	:	Boardroom Corporate & Advisory Services Pte. Ltd.
"**Relevant Acceptance Forms**"	:	The FAA and/or the FAT (as the case may be)
"**Relevant Parties**"	:	Shall have the meaning ascribed to it in **Section 12.1** of the Letter to Shareholders in this Offer Document
"**Relevant Period**"	:	The period commencing three months prior to the Pre-Conditional Offer Announcement Date and ending on the Latest Practicable Date
"**Relevant Securities**"	:	(i) Shares; (ii) other securities which carry voting rights in the Company; and (iii) convertible securities, warrants, options or derivatives in respect of the Shares or other securities which carry voting rights in the Company

"**Relevant Shares**"	:	Shall have the meaning ascribed to it in **6.2(a)** of the Letter to Shareholders in this Offer Document
"**RMB**"	:	Renminbi, being the lawful currency of the People's Republic of China
"**Rule 22.6 Period**"	:	Shall have the meaning ascribed to it in **Paragraph 1.4** of **Appendix 1** to this Offer Document
"**Securities Account**"	:	A securities account maintained by a Depositor with CDP, but does nto include a securities sub-account
"**SFA**"	:	The Securities and Futures Act, Chapter 289 of Singapore
"**SGXNET**"	:	Singapore Exchange Network
"**SGX-ST**"	:	The Singapore Exchange Securities Trading Limited
"**Shareholders**"	:	Holders of Shares as indicated on the Register and Depositors who have Shares entered against their names in the Depository Register
"**Shares**"	:	Issued and paid-up ordinary shares in the capital of the Company (excluding treasury shares)
"**Shut-Off Notice**"	:	Shall have the meaning ascribed to it in **Paragraph 1.4** of **Appendix 1** to this Offer Document
"**SIC**"	:	The Securities Industry Council of Singapore
"**Specified Persons**"	:	Shall have the meaning ascribed to it in **Paragraph 2.8** of **Appendix 2** to this Offer Document
"**SRS**"	:	The Supplementary Retirement Scheme
"**SRS Agent Banks**"	:	Agent banks included under SRS
"**SRS Investors**"	:	Investors who purchase Shares pursuant to SRS
"**S$**" and "**cents**"	:	Singapore dollars and cents, respectively, being the lawful currency of Singapore
"**Target Group**"	:	Shall have the meaning ascribed to it in **Section 5.1** of the Letter to Shareholders in this Offer Document
"**UOB**"	:	United Overseas Bank Limited
"**VWAP**"	:	Volume-weighted average price
"**%**" or "**per cent.**"	:	Percentage or per centum

Acting in Concert and Concert Parties. The expression "**acting in concert**" and the term "**concert parties**" shall have the meanings as ascribed to them respectively in the Code.

Announcement, Notice, etc. References to the making of an announcement or the giving of notice by the Offeror shall include the release of an announcement by UOB or advertising agents, for and on behalf of the Offeror, to the press or the delivery of or transmission by telephone, telex, facsimile, SGXNET or otherwise of an announcement to the SGX-ST. An announcement made otherwise than to the SGX-ST shall be notified simultaneously to the SGX-ST.

Depositor, Depository Agent and Depository Register. The expressions "**Depositor**", "**Depository Agent**" and "**Depository Register**" shall have the meanings ascribed to them respectively in Section 81SF of the SFA.

Expressions. Words importing the singular shall, where applicable, include the plural and *vice versa*. Words importing a single gender shall, where applicable, include any or all genders. References to persons shall, where applicable, include corporations.

Headings. The headings in this Offer Document are inserted for convenience only and shall be ignored in construing this Offer Document.

Offer Document. References to "**Offer Document**" shall include the FAA and the FAT, unless the context otherwise requires.

Rounding. Any discrepancies in the tables in this Offer Document between the listed amounts and the totals thereof are due to rounding. Accordingly, figures shown as totals may not be an arithmetic aggregation of the figures that precede them.

Shareholders. References to "**you**", "**your**" and "**yours**" in this Offer Document are, as the context so determines, to Shareholders.

Shares. In this Offer Document, the total number of Shares is a reference to 285,576,000 Shares in issue as at the Latest Practicable Date unless the context otherwise requires. Unless the context otherwise requires, all references to a percentage shareholding in the capital of the Company in this Offer Document are based on 285,576,000 Shares in issue as at the Latest Practicable Date.

Statutes. Any reference in this Offer Document to any enactment or statutory provision is a reference to that enactment or statutory provision as for the time being amended, modified or re-enacted. Any word defined under the Companies Act, the Code, the Catalist Rules, the SFA or any modification thereof and used in this Offer Document shall, where applicable, have the meaning assigned to that word under the Companies Act, the Code, the Catalist Rules, the SFA or that modification, as the case may be.

Subsidiary, Related Corporations. The expressions "**subsidiary**" and "**related corporations**" shall have the meanings ascribed to them respectively in Sections 5 and 6 of the Companies Act.

Time and Date. Any reference to a time of day and date in this Offer Document shall be a reference to Singapore time and date, unless otherwise specified.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

All statements other than statements of historical facts included in this Offer Document are or may be forward-looking statements. Forward-looking statements include but are not limited to those using words such as “aim”, “seek”, “expect”, “anticipate”, “estimate”, “believe”, “intend”, “project”, “plan”, “strategy”, “forecast” and similar expressions or future and conditional verbs such as “will”, “would”, “should”, “could”, “may” and “might”. These statements reflect the Offeror’s current expectations, beliefs, hopes, intentions or strategies regarding the future and assumptions in light of currently available information. Such forward-looking statements are not guarantees of future performance or events and involve known and unknown risks and uncertainties. Accordingly, actual results may differ materially from those described in such forward-looking statements. Shareholders and investors of the Company should not place undue reliance on such forward-looking statements. None of the Offeror, CMIH nor UOB guarantees any future performance or event or undertakes any obligation to update publicly or revise any forward-looking statements.

UOB 大华银行

UNITED OVERSEAS BANK LIMITED
(Company Registration No. 193500026Z)
(Incorporated in Singapore)

25 November 2019

To: The Shareholders of AVIC International Maritime Holdings Limited

Dear Sir / Madam

VOLUNTARY CONDITIONAL CASH OFFER BY UOB, FOR AND ON BEHALF OF THE OFFEROR, FOR THE OFFER SHARES

1. INTRODUCTION

1.1 **Offer Announcemen**t. On 11 November 2019, UOB announced, for and on behalf of the Offeror, *inter alia*, that the Offeror intends to make a voluntary conditional cash offer for all the Shares, other than those already owned, controlled, or agreed to be acquired by the Offeror.

A copy of the Offer Announcement is available on the website of the SGX-ST at www.sgx.com.

1.2 **Offer Document.** This Offer Document contains the formal offer by UOB, for and on behalf of the Offeror, to acquire all the Offer Shares (as defined in **Section 2.2** of the Letter to Shareholders in this Offer Document) subject to the terms and conditions set out in this Offer Document. This Offer Document has been despatched to Shareholders on 25 November 2019, being the Commencement Date. Shareholders are urged to read this Offer Document carefully.

2. TERMS OF THE OFFER

2.1 **Offer.** UOB hereby makes, for and on behalf of the Offeror, the Offer to acquire all the Offer Shares, in accordance with Section 139 of the SFA and the Code.

2.2 **Offer Shares.** The Offer is extended to all the Shares, other than those already owned, controlled or agreed to be acquired by the Offeror (the "**Offer Shares**") at the Offer Price (as defined in **Section 2.3** of the Letter to Shareholders in this Offer Document).

2.3 **Offer Price.** The consideration for each Offer Share will be as follows:

For each Offer Share: S$0.15 in cash (the "Offer Price").

2.4 **No Encumbrances.** The Offer Shares will be acquired (a) fully paid-up; (b) free from any claim, charge, pledge, mortgage, encumbrance, lien, option, equity, power of sale, declaration of trust, hypothecation, retention of title, right of pre-emption, right of first refusal, moratorium or other third party right or security interest of any kind or an agreement, arrangement or obligation to create any of the foregoing ("**Encumbrances**"), and (c) together with all rights, benefits and entitlements attached thereto as at the Pre-Conditional Offer Announcement Date and thereafter attaching thereto, including the right to receive and retain all dividends, rights, other distributions or return of capital (if any) declared, paid or made by the Company in respect of the Offer Shares (collectively, "**Distributions**") on or after the Pre-Conditional Announcement Date.

2.5 **Adjustment for Distributions.** Without prejudice to the foregoing, the Offer Price has been determined on the basis that the Offer Shares will be acquired with the right to receive any Distribution that may be declared, paid or made by the Company on or after the Pre-Conditional Announcement Date.

Accordingly, in the event any Distribution is or has been declared, paid or made by the Company in respect of the Offer Shares on or after the Pre-Conditional Announcement Date, the Offer Price payable to a Shareholder who validly accepts or has validly accepted the Offer ("**Accepting Shareholder**") shall be reduced by an amount which is equal to the amount of such Distribution, depending on when the settlement date in respect of the Offer Shares tendered in acceptance of the Offer by such Accepting Shareholder falls, as follows:

(a) if such settlement date falls on or before the books closure date for the determination of entitlements to the Distribution (the "**Books Closure Date**"), the Offer Price for each Offer Share shall remain unadjusted and the Offeror shall pay the relevant Accepting Shareholder the unadjusted Offer Price for each Offer Share, as the Offeror will receive the Distribution in respect of such Offer Share from the Company; or

(b) if such settlement date falls after the Books Closure Date, the Offer Price for each Offer Share shall be reduced by an amount which is equal to the amount of the Distribution in respect of each Offer Share (the Offer Price after such reduction, the "**Adjusted Offer Price**") and the Offeror shall pay the relevant accepting Shareholder the Adjusted Offer Price for each Offer Share, as the Offeror will not receive the Distribution in respect of such Offer Share from the Company.

2.6 Minimum Acceptance Condition. The Offer will be conditional upon the Offeror receiving valid acceptances in respect of such number of Offer Shares which, when taken together with the Shares owned, controlled or agreed to be acquired by the Offeror and parties acting in concert with it (either before or during the Offer and pursuant to the Offer or otherwise), would result in the Offeror holding such number of Shares carrying more than 50 per cent. of the voting rights attributable to the issued Shares (excluding treasury shares).

Save as provided in this Section 2.6, the Offer is unconditional in all other respects.

2.7 Warranty. A Shareholder who tenders his Offer Shares in acceptance of the Offer will be deemed to unconditionally and irrevocably warrant that he sells such Offer Shares as or on behalf of the beneficial owner(s) thereof: (a) fully paid; (b) free from all Encumbrances; and (c) together with all rights, benefits and entitlements attached thereto as at the Pre-Conditional Offer Announcement Date and thereafter attaching thereto, including but not limited to the right to receive and retain all Distributions declared, paid or made by the Company in respect of the Offer Shares on or after the Pre-Conditional Offer Announcement Date.

2.8 Details of the Offer. Appendix 1 to this Offer Document sets out further details on: (a) the duration of the Offer; (b) the settlement of the consideration for the Offer; (c) the requirements relating to the announcement of the level of acceptances of the Offer; and (d) the right of withdrawal of acceptances of the Offer.

3. PROCEDURES FOR ACCEPTANCE

Appendix 2 to this Offer Document sets out the procedures for acceptance of the Offer.

4. INFORMATION ON THE OFFEROR AND CMIH

4.1 The Offeror. The Offeror is a company incorporated in Hong Kong SAR on 5 February 2015. It is principally engaged in investment holding. As at the Latest Practicable Date:

(a) the Offeror has an issued and paid-up share capital of HK$10,000 comprising 10,000 issued ordinary shares, all of which are held by CMIH; and

(b) the directors of the Offeror are Mr. Zha Delong and Ms. Li Jinsong.

Appendix 3 to this Offer Document sets out additional information on the Offeror.

4.2 **CMIH.** CMIH is a company incorporated in Hong Kong SAR on 26 November 1997. Its principal activities are the manufacturing and supply of marine engineering equipment. As at the Latest Practicable Date, the directors of CMIH are:

(a) Mr. Wang Cuijun;

(b) Mr. Su Jian;

(c) Mr. Liu Zhimin; and

(d) Mr. Zhang Jianhua.

CMIH is a leading offshore engineering equipment provider and service provider headquartered in Hong Kong SAR. It also has subsidiaries and institutions in the United States, the Netherlands, Italy, Singapore and other countries, as well as several production and manufacturing bases in East China, South China and Southwest China. The business of CMIH is concentrated in four main areas, namely manufacturing of offshore engineering equipment, repairing and conversion of ship and offshore equipment, new building of luxury cruises, as well as manufacturing of new materials and special equipment. CMIH is an indirect wholly-owned subsidiary of China Merchants Group Limited ("**CMG**"), a leading central state-owned enterprise based in Hong Kong, under direct supervision of State-owned Assets Supervision and Administration Commission of the State Council. CMG is a conglomerate with three business platforms of non-financial industries, financial services, investment and capital operation. Its non-financial industries cover ports, toll roads, shipping, logistics, real estate, zone development, offshore engineering and trade.

Appendix 4 to this Offer Document sets out additional information on CMIH.

5. INFORMATION ON THE COMPANY

5.1 **Introduction.** The Company is a company incorporated in Singapore on 11 November 2010 and was listed on the Mainboard of the SGX-ST on 12 September 2011 and subsequently transferred to the Catalist on 20 May 2016. The Company is an active player in the marine and offshore industry and strives to provide innovative and integrated solutions along the entire marine business value chain. The Company and its subsidiaries (collectively the "**Target Group**") provides a wide range of services including shipbuilding project management and consultancy, design and engineering, shipbuilding as well as ship-trading.

5.2 **Share Capital.** As at the Latest Practicable Date, based on the latest information publicly available to the Offeror:

(a) the Company has an issued and paid-up share capital of RMB101,237,000, comprising 285,576,000 Shares and the Company does not have any treasury Shares; and

(b) the Company has no outstanding instruments convertible into, rights to subscribe for, or options in respect of, Shares.

5.3 **Directors of the Company.** As at the Latest Practicable Date, the directors of the Company are as follows:

(a) Dr. Diao Weicheng (Executive Chairman);

(b) Mr. Sun Yan (Chief Executive Officer and Executive Director);

(c) Mr. Li Meijin (Executive Director);

(d) Mr. Teng Cheong Kwee (Lead Independent Director);

(e) Professor Wang Puqu (Independent Director); and

(f) Ms. Alice Lai Kuen Kan (Independent Director).

5.4 Additional Information. Appendix 5 to this Offer Document sets out additional information on the Company.

6. IRREVOCABLE UNDERTAKING

6.1 Implementation Agreement. On 27 August 2019, the Offeror and the Company's controlling shareholder, AIHL, entered into an implementation agreement (the "**IA**") pursuant to which they had agreed on certain steps to be taken to implement the Offer.

6.2 AIHL Irrevocable Undertaking. In accordance with and subject to the terms and conditions of the IA, AIHL had on 27 August 2019 provided an irrevocable undertaking to the Offeror (the "**AIHL Irrevocable Undertaking**"), pursuant to which AIHL had, amongst other things, unconditionally and irrevocably undertaken to, and to procure that each of its nominees (if any) to, *inter alia*:

(a) accept the Offer in respect of all of the Shares held legally and/or beneficially by AIHL, and any other Shares (the "**Further Shares**") which AIHL or its nominees may subsequently acquire after the date of the AIHL Irrevocable Undertaking (collectively, the "**Relevant Shares**") by no later than three business days after the date of despatch to Shareholders of this Offer Document, or, in the case of the Further Shares, by no later than three business days after the date of acquisition thereof in accordance with the procedures prescribed in this Offer Document and the relevant form(s) of acceptance accompanying it;

(b) except pursuant to the Offer, not sell, charge, encumber, grant any option over or otherwise dispose of any Relevant Share or any interest therein which would or might restrict or impede its acceptance of the Offer;

(c) except pursuant to the Offer, not enter into any agreement or arrangement, incur any obligation, grant or dispose of any right or interest or give any indication of intent in relation to the Relevant Shares which would or might restrict or impede its acceptance of the Offer; and

(d) notwithstanding the provisions of the Code or any terms of the Offer regarding withdrawal, not withdraw its acceptance(s) of the Offer for any reason.

As at the Latest Practicable Date, AIHL, through its nominees, holds 210,947,369 Shares, representing approximately 73.87 per cent. of the total Shares and approximately 73.87 per cent. of the Offer Shares.

6.3 Termination of AIHL Irrevocable Undertaking. The AIHL Irrevocable Undertaking will lapse, other than as a result of a breach by AIHL of any of its obligations set forth in the AIHL Irrevocable Undertaking, upon the Offer being withdrawn (after SIC consent has been obtained for the withdrawal) or lapsing for whatever reason.

6.4 No Other Undertakings. Save for the AIHL Irrevocable Undertaking, as at the Latest Practicable Date, neither the Offeror nor any party acting in concert with the Offeror has received any undertakings from any other party to accept or reject the Offer.

6.5 Available for Inspection. A copy of the AIHL Irrevocable Undertaking is available for inspection at the offices of the Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 during normal business hours from the Offer Announcement Date until the date on which the Offer closes, lapses or is withdrawn in accordance with its terms.

7. OTHER ARRANGEMENTS BETWEEN THE OFFEROR AND AIHL

7.1 As at the Latest Practicable Date, AIHL (being the existing controlling shareholder of the Company) and other members of the AVIC Group (collectively the "**AVIC Group Corporate Guarantors**") have given corporate guarantees (collectively, the "**AVIC Group Corporate Guarantees**") in favour of banks (collectively the "**Corporate Guarantee Beneficiaries**") (a) to secure the obligations of the Target Group for bank borrowings made in the ordinary course of business and/or (b) as security for the issue by such Corporate Guarantee Beneficiaries of bank guarantees in favour of the Target Group's contractual counterparties pursuant to or in connection with its shipbuilding business.

7.2 In this connection, the terms of the IA provide that subject to and contingent upon the Offeror becoming the controlling shareholder of the Company upon the transfer of the Relevant Shares from AIHL to the Offeror pursuant to the Offer, the Offeror undertakes that it shall:

(a) provide the relevant Corporate Guarantee Beneficiaries under the AVIC Group Corporate Guarantees with corporate guarantees issued by the Offeror or any member of its Group in place of the AVIC Group Corporate Guarantees in accordance with such terms and conditions as may be required by the Corporate Guarantee Beneficiaries; and

(b) procure the complete release and discharge of all AVIC Group Corporate Guarantors from all such AVIC Group Corporate Guarantees,

no later than six months after the date of transfer of the Relevant Shares from AIHL to the Offeror.

7.3 The IA further provides that if the Offeror is unable to fulfil its obligations as set out in **Section 7.2** above within the stipulated six-month period due to reasons beyond the reasonable control of both the Offeror and AIHL, the Offeror shall unconditionally and irrevocably:

(a) guarantee, as a continuing obligation, to each of the AVIC Group Corporate Guarantors the proper and punctual performance by the Target Group of their respective obligations in respect of which the AVIC Group Corporate Guarantees (to the extent not released and discharged) have been issued; and

(b) indemnify each of the AVIC Group Corporate Guarantors for the payment of the relevant principal sum, interest and/or default payments required to be made to the relevant Corporate Guarantee Beneficiaries under the terms of the relevant AVIC Group Corporate Guarantees (to the extent not released and discharged) by each of the AVIC Group Corporate Guarantors as a result of any breach by the Target Group of any of their respective obligations in respect of which such AVIC Group Corporate Guarantees (to the extent not released and discharged) have been issued.

In this event, the terms and conditions of the guarantee and indemnity to be given by the Offeror shall be mutually agreed between the Offeror and AIHL.

7.4 Pursuant to an application made by the Offeror to the SIC to seek certain rulings in relation to the Offer, the SIC has confirmed that the arrangements between the Offeror and AIHL in relation to the release and discharge of the AVIC Group Corporate Guarantees, as described in **Sections 7.2** and **7.3** of the Letter to Shareholders in this Offer Document do not constitute a special deal for the purposes of Rule 10 of the Code.

8. FINANCIAL EVALUATION OF THE OFFER

The Offer Price represents the following premia over the historical transacted prices of the Shares on the SGX-ST:

Period	Benchmark Price[(1)] (S$)	Premium over Benchmark Price[(2)] (%)
Last traded price of the Shares on the SGX-ST on 27 August 2019 (being the Last Trading Day)	0.1090	37.6
VWAP per Share for the one-month period up to and including the Last Trading Day	0.0900	66.7
VWAP per Share for the three-month period up to and including the Last Trading Day	0.0906	65.6
VWAP per Share for the six-month period up to and including the Last Trading Day	0.0904	65.9
VWAP per Share for the 12-month period up to and including the Last Trading Day	0.0913	64.3

Notes:

(1) Based on data extracted from Bloomberg L.P. on 27 August 2019, being the Last Trading Day, figures rounded to the nearest four decimal places.

(2) Premia rounded to the nearest one decimal place.

9. RATIONALE FOR THE OFFER

9.1 Combination of complementary business and expertise to realise potential synergies

As mentioned in **Section 4.2** of the Letter to Shareholders in this Offer Document, CMIH, the sole shareholder of the Offeror, is a leading offshore engineering equipment and service provider. The main areas of business of CMIH include manufacturing of offshore engineering equipment, modification of ship equipment and manufacturing of luxury cruises. In this connection, CMIH provides offshore equipment building and repair services in China, and owns a shipyard for offshore equipment and large specialized vessel building, as well as offshore equipment and all kinds of vessels repair and conversion activities. The Target Group provides a wide range of services including shipbuilding project management and consultancy, design and engineering, shipbuilding as well as ship-trading.

CMIH is of the view that the Target Group's businesses are complementary and there are potential synergies that can be created, including cross-selling to an enlarged customer base, economies of scale, improvement of productivity and cost efficiency, as well as the sharing of domain knowledge such as know-how and best practices.

9.2 Opportunity for minority shareholders to realise their investment in the Shares at a premium

The Offer Price is at a premium above the historical market prices of the Shares of over the last 12-month period prior to the Pre-Conditional Offer Announcement Date. The Offer Price represents an approximately 66.7%, 65.6%, 65.9% and 64.3% premium above the VWAP per Share for the one month, three-months, six-months and 12-months period prior to and including the Last Trading Day, respectively.

9.3 Opportunity for Shareholders who may find it difficult to exit their investment in the Company due to low trading liquidity

The historical trading liquidity of the Shares on the SGX-ST has been low and do not provide Shareholders with sufficient opportunity to efficiently exit their investments in the Company. Hence, the Offer gives Shareholders a unique cash exit opportunity to liquidate and realise their entire investment at a premium to prevailing market prices, an option which may not otherwise be readily available due to the low trading liquidity of the Shares.

The average daily trading volume of the Shares over the last one month, three-months, six-months and 12-months periods up to and including the Last Trading Day are detailed in the table below:

	Average Daily Trading Volume ("ADTV") (No. of Shares)	**ADTV as a percentage of total number of issued Shares (%)**
One-month period up to and including the Last Trading Day	37,320	0.01
Three-months period up to and including the Last Trading Day	157,817	0.06
Six-months period up to and including the Last Trading Day	89,550	0.03
12-months period up to and including the Last Trading Day	50,357	0.02

10. THE OFFEROR'S INTENTIONS IN RELATION TO THE COMPANY

It is the current intention of the Offeror for the Company to continue with its existing business in line with the rationale for the Offer as set out in **Section 9** of the Letter to Shareholders in this Offer Document above. The Offeror currently has no intention to introduce any major changes to the existing business of the Company, the employment of the employees of the Target Group, or to re-deploy any of the fixed assets of the Company, other than in the ordinary course of business.

Nonetheless, the Offeror retains the flexibility at any time to consider any options or opportunities which may present themselves and which it regards to be in the interests of the Offeror.

Following the close of the Offer, the Offeror will undertake a comprehensive review of the businesses and fixed assets of the Target Group, which will help the Offeror determine the optimal business strategy for the Company.

11. COMPULSORY ACQUISITION AND LISTING STATUS

11.1 Compulsory Acquisition. The Offeror's intention is to gain majority control of the Company. In the event the Offeror receives valid acceptances pursuant to the Offer or otherwise acquires Shares following the despatch of the Offer Document other than through valid acceptances of the Offer in respect of not less than 90 per cent. of the total number of issued Shares (other than those already held by the Offeror, its related corporations or their respective nominees as at the Commencement Date), the Offeror would be entitled to exercise its right under Section 215(1) of the Companies Act to compulsorily acquire all the Shares of the Shareholders who have not accepted the Offer (the "**Dissenting Shareholders**") on the same terms as those offered under the Offer.

11.2 In such event, the Offeror intends to exercise its right to compulsorily acquire all the Offer Shares not acquired under the Offer. The Offeror will then proceed to delist the Company from the SGX-ST.

11.3 **Section 215(3) of the Companies Act.** In addition, pursuant to Section 215(3) of the Companies Act, Dissenting Shareholders have the right under and subject to Section 215(3) of the Companies Act, to require the Offeror to acquire their Shares at the Offer Price in the event that the Offeror, its related corporations or their respective nominees acquire, pursuant to the Offer, such number of Shares which, together with treasury shares and the Shares held by the Offeror, its related corporations or their respective nominees, comprise 90 per cent. or more of the total number of Shares. **Dissenting Shareholders who wish to exercise such right are advised to seek their own independent legal advice.**

11.4 **Listing Status and Trading Suspension.** Under Rule 1104 of the Catalist Rules, upon an announcement by the Offeror that acceptances have been received pursuant to the Offer that bring the holdings of the Shares owned by the Offeror and parties acting in concert with the Offeror to above 90 per cent. of the total number of Shares (excluding treasury shares), the SGX-ST may suspend the trading of the listed securities of the Company on the SGX-ST until such time when the SGX-ST is satisfied that at least 10 per cent. of the total number of Shares (excluding treasury shares) are held by at least 200 Shareholders who are members of the public (the "**Free Float Requirement**"). Rule 1303(1) of the Catalist Rules provides that where the Offeror succeeds in garnering acceptances exceeding 90 per cent. of the total number of Shares (excluding treasury shares), thus causing the percentage of the total number of Shares (excluding treasury shares) held in public hands to fall below 10 per cent., the SGX-ST will suspend trading of the Shares at the close of the Offer.

In addition, under Rule 724(1) of the Catalist Rules, if the percentage of the total number of Shares (excluding treasury shares) held in public hands falls below 10 per cent., the Company must, as soon as practicable, announce that fact and the SGX-ST may suspend trading of all the listed securities of the Company on the SGX-ST. Rule 724(2) of the Catalist Rules further states that the SGX-ST may allow the Company a period of three (3) months, or such longer period as the SGX-ST may agree, for the percentage of the total number of Shares (excluding treasury shares) held by members of the public to be raised to at least 10 per cent., failing which the Company may be removed from the Official List of the SGX-ST. Under the Catalist Rules, "public" refers to persons other than: (a) directors, chief executive officer, substantial shareholders, or controlling shareholders of the Company or its subsidiary companies; and (b) associates of the persons in (a) above.

The Offeror's intention is to gain majority control of the Company. In the event that the Free Float Requirement is not met and/or trading of Shares on the SGX-ST is suspended pursuant to Rule 724, Rule 1104 or Rule 1303(1) of the Catalist Rules, the Offeror does not intend to preserve the listing status of the Company and has no intention of undertaking or supporting any action to satisfy the Free Float Requirement or for any such trading suspension by the SGX-ST to be lifted.

12. DISCLOSURE OF HOLDINGS AND DEALINGS

12.1 **Holdings in and Dealings in Relevant Securities.** As at the Latest Practicable Date, based on the latest information available to the Offeror, none of (a) the Offeror and the Offeror Directors; (b) CMIH and the CMIH Directors; (c) UOB; and (d) any other person acting in concert with the Offeror (collectively, the "**Relevant Parties**"):

(a) owns, controls or has agreed to acquire any Relevant Securities; or

(b) has dealt for value in any of the Relevant Securities in the Relevant Period.

12.2 Other Arrangements. As at the Latest Practicable Date, based on the latest information available to the Offeror, and save as disclosed in this Offer Document (including **Sections 6** and **7** of the Letter to Shareholders in this Offer Document), none of the Relevant Parties has:

(a) received any irrevocable commitment to accept the Offer in respect of any Relevant Securities;

(b) entered into any arrangement of the kind referred to in Note 7 on Rule 12 of the Code with any person, including any indemnity or option arrangements, and any agreement or understanding, formal or informal, of whatever nature, relating to any Relevant Securities which may be an inducement to deal or refrain from dealing;

(c) granted a security interest in respect of any Relevant Securities in favour of any other person, whether through a charge, pledge or otherwise;

(d) borrowed any Relevant Securities from any other person (excluding borrowed Relevant Securities which have been on-lent or sold); or

(e) lent any Relevant Securities to another person.

13. CONFIRMATION OF FINANCIAL RESOURCES

UOB, as the sole financial adviser to the Offeror in relation to the Offer, confirms that sufficient financial resources are available to the Offeror to satisfy in full all acceptances of the Offer by the Shareholders on the basis of the Offer Price.

14. OVERSEAS SHAREHOLDERS

14.1 Overseas Shareholders. This Offer Document does not constitute an offer or a solicitation to any person in any jurisdiction in which such offer or solicitation is unlawful. The Offer is not being proposed in any jurisdiction in which the introduction or implementation of the Offer would not be in compliance with the laws of such jurisdiction. Where there are potential restrictions on sending this Offer Document (including the Relevant Acceptance Forms) to any overseas jurisdictions, the Offeror and UOB reserve the right not to send this Offer Document (including the Relevant Acceptance Forms) to such overseas jurisdictions. The availability of the Offer to Shareholders whose addresses are outside Singapore, as shown on the Register or, as the case may be, in the records of CDP (each, an "**Overseas Shareholder**") may be affected by the laws of the relevant overseas jurisdictions. Accordingly, all Overseas Shareholders should inform themselves about, and observe, any applicable legal requirements in their own jurisdictions. **For the avoidance of doubt, the Offer is made to all Shareholders including those to whom this Offer Document (including the Relevant Acceptance Forms) has not been, or will not be, sent.**

14.2 Copies of the Offer Document and Relevant Acceptance Forms. Any Shareholder (including an Overseas Shareholder) may (subject to compliance with applicable laws) obtain copies of this Offer Document (including the Relevant Acceptance Forms) and any related documents, during normal business hours up to the Closing Date from Boardroom Corporate & Advisory Services Pte. Ltd. (if he is a scrip holder) at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 or The Central Depository (Pte) Limited (if he is a Depositor) at 9 North Buona Vista Drive, #01-19/20 The Metropolis, Singapore 138588. Alternatively, any Shareholder (including an Overseas Shareholder) may (subject to compliance with applicable laws) write to the Offeror through Boardroom Corporate & Advisory Services Pte. Ltd. (if he is a scrip holder) at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 or The Central Depository (Pte) Limited (if he is a Depositor) at Robinson Road Post Office P.O. Box 1984, Singapore 903934, to request for this Offer Document (including the Relevant Acceptance Forms) and any related documents to be sent to an address in Singapore by ordinary post at his own risk, up to five (5) Market Days prior to the Closing Date.

14.3 Compliance with Applicable Laws. It is the responsibility of any Overseas Shareholder who wishes to: (a) request for the Offer Document (including the Relevant Acceptance Forms) and/or any related documents; or (b) accept the Offer, to satisfy himself as to the full observance of the laws of the relevant jurisdictions in that connection, including the obtaining of any governmental or other consent which may be required, or compliance with other necessary formalities or legal requirements, or the payment of any taxes, imposts, duties or other requisite payments due in such jurisdiction. Such Overseas Shareholder shall also be liable for any taxes, imposts, duties or other requisite payments payable and the Offeror and any person acting on its behalf (including UOB, CDP and the Registrar/Receiving Agent) shall be fully indemnified and held harmless by such Overseas Shareholder for any such taxes, imposts, duties or other requisite payments that may be required to be paid and the Offeror shall be entitled to set-off any such amounts against any sum payable to the Overseas Shareholder pursuant to the Offer and/or any acquisition of Shares pursuant to Section 215(1) or 215(3) of the Companies Act. In: (a) requesting for the Offer Document (including the Relevant Acceptance Forms) and/or any related documents; and/or (b) accepting the Offer, the Overseas Shareholder represents and warrants to the Offeror, UOB, CDP and the Registrar/Receiving Agent that he is in full observance of the laws of the relevant jurisdiction in that connection, and that he is in full compliance with all necessary formalities or legal requirements. If any Shareholder is in any doubt about his position, he should consult his professional adviser in the relevant jurisdiction. All Overseas Shareholders should inform themselves about, and observe, any applicable legal requirements in their own jurisdiction.

14.4 Notice. The Offeror and UOB each reserve the right to notify any matter, including the fact that the Offer has been made, to any or all Shareholders (including Overseas Shareholders) by announcement to the SGX-ST or paid advertisement in a daily newspaper published and circulated in Singapore, in which case, such notice shall be deemed to have been sufficiently given notwithstanding any failure by any Shareholder (including Overseas Shareholders) to receive or see such announcement or advertisement.

15. INFORMATION RELATING TO CPFIS INVESTORS AND SRS INVESTORS

CPFIS Investors and SRS Investors should receive further information on how to accept the Offer from their respective CPF Agent Banks and SRS Agent Banks (as the case may be) directly. CPFIS Investors and SRS Investors are advised to consult their respective CPF Agent Banks and SRS Agent Banks should they require further information, and if they are in any doubt as to the action they should take, CPFIS Investors and SRS Investors should seek independent professional advice.

CPFIS Investors and SRS Investors who wish to accept the Offer are to reply to their respective CPF Agent Banks and SRS Agent Banks by the deadline stated in the letter from their respective CPF Agent Banks and SRS Agent Banks, which may be earlier than the Closing Date. Subject to the Offer becoming or being declared to be unconditional in all respects in accordance with its terms, CPFIS Investors and SRS Investors who validly accept the Offer will receive the payment for their Offer Shares in their respective CPF investment accounts and SRS investment accounts.

16. GENERAL

16.1 Disclaimer and Discretion. The Offeror and UOB each reserves the right to treat acceptances of the Offer as valid if received by or on behalf of any of them at any place or places determined by them otherwise than as stated herein or in the Relevant Acceptance Forms, or if made otherwise than in accordance with the provisions herein and instructions printed on the Relevant Acceptance Forms.

16.2 Governing Law and Jurisdiction. The Offer, this Offer Document (including the Relevant Acceptance Forms), and all acceptances of the Offer and all contracts made pursuant thereto and actions taken or made or deemed to be taken or made thereunder shall be governed by, and construed in accordance with, the laws of the Republic of Singapore. The Offeror and each Accepting Shareholder submit to the non-exclusive jurisdiction of the Singapore courts.

16.3 **No Third Party Rights.** Unless expressly provided to the contrary in this Offer Document (including the Relevant Acceptance Forms), a person who is not a party to any contracts made pursuant to the Offer or this Offer Document (including the Relevant Acceptance Forms) has no rights under the Contracts (Rights of Third Parties) Act, Chapter 53B of Singapore, to enforce any term of such contracts. Notwithstanding any term herein, the consent of any third party is not required for any subsequent agreement by the parties hereto to amend or vary (including any release or compromise of any liability) or terminate such contracts. Where third parties are conferred rights under such contracts, those rights are not assignable or transferable.

16.4 **Accidental Omission.** Accidental omission to despatch this Offer Document (including the Relevant Acceptance Forms) or any notice or announcement required to be given under the terms of the Offer or any failure to receive the same by any person to whom the Offer is made or should be made, shall not invalidate the Offer in any way.

16.5 **Independent Advice.** UOB is acting for and on behalf of the Offeror and does not purport to advise the Shareholders or any other person. In preparing the Offer Document on behalf of the Offeror, UOB has not had regard to the general or specific investment objectives, tax positions, risk profiles, financial situation or particular needs and constraints of any individual Shareholder. The views of the Independent Directors and the independent financial adviser to the Independent Directors on the Offer will be made available to Shareholders in due course. The Independent Directors are required under the Code to despatch their views within 14 days of the date of despatch of the Offer Document. Shareholders may wish to consider their views before taking any action in relation to the Offer.

16.6 **General Information. Appendix 6** to this Offer Document sets out additional general information relating to the Offer.

17. RESPONSIBILITY STATEMENT

The Offeror Directors and the CMIH Directors (including any director who may have delegated detailed supervision of this Offer Document) have taken all reasonable care to ensure that the facts stated and all opinions expressed in this Offer Document are fair and accurate and that no material facts have been omitted from this Offer Document, the omission of which would make any statement herein misleading, and they jointly and severally accept responsibility accordingly.

Where any information has been extracted or reproduced from published or otherwise publicly available sources (including, without limitation, in relation to the Company and its subsidiaries), the sole responsibility of the Offeror Directors and the CMIH Directors has been to ensure, through reasonable enquiries, that such information has been accurately and correctly extracted from such sources or, as the case may be, reflected or reproduced in this Offer Document.

Issued by

UNITED OVERSEAS BANK LIMITED

For and on behalf of

CHINA MERCHANTS INDUSTRY INVESTMENT LIMITED

25 November 2019

Any inquiries relating to the Offer should be directed during office hours to the UOB hotline at (65) 6539 7066.

APPENDIX 1 – DETAILS OF THE OFFER

1. DURATION OF THE OFFER

1.1 **First Closing Date.** The Offer is open for acceptance by Shareholders for at least 28 days from the Commencement Date, unless the Offer is withdrawn with the consent of the SIC and every person released from any obligation incurred thereunder. **Accordingly, the Offer will close at 5.30 p.m. (Singapore time) on 23 December 2019 or such later date(s) as may be announced from time to time by or on behalf of the Offeror.**

1.2 **Subsequent Closing Date(s).** If the Offer is extended and:

(a) is not unconditional as to acceptances as at the date of such extension, the announcement of the extension must state the next Closing Date; or

(b) is unconditional as to acceptances as at the date of such extension, the announcement of the extension need not state the next Closing Date but may state that the Offer will remain open until further notice. In such a case, the Offeror must give Shareholders at least 14 days' prior notice in writing before it may close the Offer.

1.3 **No Obligation to Extend Offer.** The Offeror is not obliged to extend the Offer if the acceptance condition specified in **Section 2.6** of the Letter to Shareholders in this Offer Document is not fulfilled by the Closing Date.

1.4 **Offer to Remain Open for 14 Days after Being Declared Unconditional as to Acceptances.** In order to give Shareholders who have not accepted the Offer the opportunity to accept the Offer after the Offer has become or is declared unconditional as to acceptances, the Offer will remain open for a period ("**Rule 22.6 Period**") of not less than 14 days after the date on which it would otherwise have closed.

This requirement does not apply if, before the Offer has become or is declared unconditional as to acceptances, the Offeror has given Shareholders at least 14 days' notice in writing ("**Shut-Off Notice**") that the Offer will not be open for acceptance beyond a specified Closing Date, provided that:

(a) the Offeror may not give a Shut-Off Notice in a competitive situation; and

(b) the Offeror may not enforce a Shut-Off Notice, if already given, in a competitive situation.

For these purposes, the SIC would normally regard a "competitive situation" to have arisen if a competing offer for the Company has been announced.

If a declaration that the Offer is unconditional as to acceptances is confirmed in accordance with **Paragraph 3.1** of this **Appendix 1**, the Rule 22.6 Period will run from the date of such confirmation (if given) or the date on which the Offer would otherwise have closed, whichever is later.

1.5 **Final Day Rule.** The Offer (whether revised or not) will not be capable:

(a) of becoming or being declared unconditional as to acceptances after 5.30 p.m. (Singapore time) on the 60th day after the Commencement Date; or

(b) of being kept open after 5.30 p.m. (Singapore time) on the 60th day after the Commencement Date unless the Offer has previously become or been declared to be unconditional as to acceptances,

provided that the Offeror may extend the Offer beyond such 60-day period with SIC's prior consent ("**Final Day Rule**"). The SIC will normally grant such permission if a competing offer has been announced.

1.6 Revision. The Offeror reserves the right to revise the terms of the Offer at such time and in such manner as it may consider appropriate. Pursuant to Rule 20.1 of the Code, the terms of the Offer, if revised, will remain open for acceptance for a period of at least 14 days from the date of despatch of the written notification of the revision to Shareholders. In any case, where the terms are revised, the benefit of the Offer (as so revised) will be made available to each of the Shareholders, including those who had previously accepted the Offer.

2. SETTLEMENT

2.1 When Settlement is Due for All Shareholders. Subject to the Offer becoming or being declared unconditional in all respects and to the receipt by the Offeror from Accepting Shareholders of valid acceptances and all relevant documents required by the Offeror which are complete in all respects and in accordance with the instructions given in this Offer Document and in the Relevant Acceptance Forms, and in the case of a Depositor, the receipt by the Offeror of a confirmation satisfactory to it that the number of Offer Shares tendered by the Depositor in acceptance of the Offer are standing to the credit of the "Free Balance" of the Depositor's Securities Account at the relevant time, remittances in the form of S$ crossed cheques for the appropriate amounts will be despatched, pursuant to Rule 30 of the Code, to the Accepting Shareholders (or, in the case of Shareholders holding share certificate(s) which are not deposited with CDP, their designated agents, as they may direct) by ordinary post, at the risk of the Accepting Shareholders, or (in the case of Shareholders who are also Depositors) in such other manner as they may have agreed with CDP for payment of any cash distribution as soon as practicable and in any case:

(a) in respect of acceptances of the Offer which are complete and valid in all respects and are received **on or before** the date on which the Offer becomes or is declared to be unconditional in all respects in accordance with its terms, within seven Business Days of that date; or

(b) in respect of acceptances of the Offer which are complete and valid in all respects and are received **after** the date on which the Offer becomes or is declared to be unconditional in all respects in accordance with its terms, but before the Offer closes, within seven Business Days of the date of such receipt.

3. ANNOUNCEMENTS

3.1 Timing and Contents. Pursuant to Rule 28.1 of the Code, by 8.00 a.m. on the Market Day ("**Relevant Day**") immediately after the day on which the Offer is due to expire, or the Offer becomes or is declared to be unconditional as to acceptances, or the Offer is revised or extended, the Offeror will announce and simultaneously inform the SGX-ST of the total number of Shares (as nearly as practicable):

(a) for which valid acceptances of the Offer have been received;

(b) held by the Offeror and any of its concert parties prior to the commencement of the Offer period; and

(c) acquired or agreed to be acquired by the Offeror and any of its concert parties during the Offer period,

and will specify the percentages of the total number of Shares represented by such numbers.

3.2 Suspension. Under Rule 28.2(a) of the Code, if the Offeror is unable, within the time limit, to comply with any of the requirements in **Paragraph 3.1** of this **Appendix 1**, the SIC will consider requesting the SGX-ST to suspend dealings in the Shares until the relevant information is given.

3.3 Valid Acceptances for Offer Shares

(a) Under Rule 28.1 of the Code, subject to **Section 16.1** of the Letter to Shareholders in this Offer Document, in computing the number of Offer Shares represented by acceptances, the Offeror will, at the time of making an announcement, take into account acceptances which are valid in all respects.

(b) Acceptances of the Offer will only be treated as valid for the purposes of the acceptance condition if the relevant requirements of Note 2 on Rule 28.1 of the Code are met.

4. RIGHT OF WITHDRAWAL

4.1 Acceptances Irrevocable. Except as expressly provided in this Offer Document and the Code, acceptances of the Offer shall be irrevocable.

4.2 Right of Withdrawal of Shareholders. A Shareholder who has accepted the Offer may:

(a) withdraw his acceptance immediately if the Offer has become or been declared to be unconditional as to acceptances but the Offeror fails to comply with any of the requirements set out in **Paragraph 3.1** of this **Appendix 1** by 3.30 p.m. (Singapore time) on the Relevant Day. Subject to Rule 22.9 of the Code in relation to the Final Day Rule, the Offeror may terminate this right of withdrawal not less than eight days after the Relevant Day by confirming (if that be the case) that the Offer is still unconditional as to acceptances and by complying with Rule 28.1 of the Code and the requirements set out in **Paragraph 3.1** of this **Appendix 1**;

(b) withdraw his acceptance after 14 days from the first Closing Date of the Offer, if the Offer has not by then become unconditional as to acceptances. Such entitlement to withdraw may be exercisable until the Offer becomes or is declared to be unconditional as to acceptances; and

(c) withdraw his acceptance immediately if a competing offer for the Shares becomes or is declared to be unconditional as to acceptances. This right of withdrawal also applies in the converse situation, i.e. if the Offer becomes or is declared to be unconditional as to acceptances, a Shareholder who has accepted a competing offer may likewise withdraw his acceptance for such offer immediately.

4.3 Procedures for Withdrawal of Acceptances. To withdraw his acceptance under the Offer:

(a) an Accepting Shareholder holding Offer Shares which **are not deposited with** CDP must give written notice to the Offeror at China Merchants Industry Investment Limited c/o Boardroom Corporate & Advisory Services Pte. Ltd., 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623; and

(b) an Accepting Shareholder holding Offer Shares which **are deposited with** CDP must give written notice to the Offeror at China Merchants Industry Investment Limited c/o The Central Depository (Pte) Limited, 9 North Buona Vista Drive, #01-19/20 The Metropolis, Singapore 138588.

A notice of withdrawal shall be effective only if signed by the Accepting Shareholder or his agent duly appointed in writing and evidence of whose appointment is produced in a form satisfactory to the Offeror within the said notice and when actually received by the Offeror.

APPENDIX 2 – PROCEDURES FOR ACCEPTANCE OF THE OFFER

1. PROCEDURES FOR ACCEPTANCE OF THE OFFER

1.1 Depositors

(a) **Depositors whose Securities Accounts are credited with Offer Shares.** If you have Offer Shares standing to the credit of the "Free Balance" of your Securities Account, you should receive this Offer Document together with a FAA. If you do not receive the FAA, you may obtain a copy of such FAA, upon production of satisfactory evidence that you are a Shareholder, from CDP at 9 North Buona Vista Drive, #01-19/20 The Metropolis, Singapore 138588.

Acceptance. If you wish to accept the Offer, you should:

(i) complete the FAA in accordance with this Offer Document and the instructions printed on the FAA. In particular, you must state in **Part A** of the FAA, the number of Offer Shares in respect of which you wish to accept the Offer.

(A) if you:

(I) do not specify such number; or

(II) specify a number which exceeds the number of Offer Shares standing to the credit of the "Free Balance" of your Securities Account on the Date of Receipt or, in the case where the Date of Receipt is on the Closing Date, by 5.30 p.m. (Singapore time) on the Closing Date,

you shall be deemed to have accepted the Offer in respect of all the Offer Shares standing to the credit of the "Free Balance" of your Securities Account on the Date of Receipt or 5.30 p.m. (Singapore time) on the Closing Date (if the FAA is received by CDP on the Closing Date).

(B) if **Paragraph 1.1(a)(i)(A)(II)** above applies and at the time of verification by CDP of the FAA on the Date of Receipt, there are outstanding settlement instructions with CDP to receive further Offer Shares into the "Free Balance" of your Securities Account ("**Unsettled Buy Position**"), and the Unsettled Buy Position settles such that the Offer Shares in the Unsettled Buy Position are transferred to the "Free Balance" of your Securities Account at any time during the period the Offer is open, up to 5.30 p.m. on the Closing Date ("**Settled Shares**"), you shall be deemed to have accepted the Offer in respect of the balance number of Offer Shares inserted in Part A of the FAA which have not yet been accepted pursuant to **Paragraph 1.1(a)(i)(A)(II)** above, or the number of Settled Shares, whichever is less;

(ii) sign the FAA in accordance with this **Appendix 2** and the instructions printed on the FAA; and

(iii) deliver the completed and signed FAA:

(A) **by hand**, to China Merchants Industry Investment Limited c/o The Central Depository (Pte) Limited, 9 North Buona Vista Drive, #01-19/20 The Metropolis, Singapore 138588; or

(B) **by post**, in the enclosed pre-addressed envelope at your own risk, to China Merchants Industry Investment Limited c/o The Central Depository (Pte) Limited, Robinson Road Post Office, P.O. Box 1984, Singapore 903934,

in either case so as to arrive not later than 5.30 p.m. (Singapore time) on the Closing Date. If the completed and signed FAA is delivered by post to the Offeror, please use the enclosed pre-addressed envelope, which is pre-paid for posting in Singapore only. It is your responsibility to affix adequate postage on the said envelope if posting outside of Singapore.

If you have sold or transferred all your Offer Shares held through CDP, you need not forward this Offer Document and the accompanying FAA to the purchaser or transferee, as CDP will arrange for a separate Offer Document and FAA to be sent to the purchaser or transferee.

If you are a Depository Agent, you may accept the Offer via Electronic Acceptance. CDP has been authorised by the Offeror to receive Electronic Acceptances on its behalf and such Electronic Acceptances must be submitted **not later than 5.30 p.m. (Singapore time) on the Closing Date**. Such Electronic Acceptances submitted will be deemed irrevocable and subject to each of the terms and conditions contained in the FAA and this Offer Document as if the FAA had been completed and delivered to CDP.

(b) **Depositors whose Securities Accounts will be credited with Offer Shares.** If you have purchased Offer Shares on the SGX-ST and such Offer Shares are in the process of being credited to the "Free Balance" of your Securities Account, you should also receive this Offer Document together with a FAA. If you do not receive the FAA, you may obtain a copy of such FAA, upon production of satisfactory evidence that you are a Shareholder, from CDP at 9 North Buona Vista Drive, #01-19/20 The Metropolis, Singapore 138588.

Acceptance. If you wish to accept the Offer in respect of such Offer Shares, you should, **AFTER** the "Free Balance" of your Securities Account has been credited with such number of Offer Shares:

(i) complete and sign the FAA in accordance with **Paragraph 1.1(a)** of this **Appendix 2** and the instructions printed on the FAA; and

(ii) deliver the completed and signed FAA:

(A) **by hand**, to China Merchants Industry Investment Limited c/o The Central Depository (Pte) Limited, 9 North Buona Vista Drive, #01-19/20 The Metropolis, Singapore 138588; or

(B) **by post**, in the enclosed pre-addressed envelope at your own risk, to China Merchants Industry Investment Limited c/o The Central Depository (Pte) Limited, Robinson Road Post Office, P.O. Box 1984, Singapore 903934,

in each case so as to arrive not later than 5.30 p.m. (Singapore time) on the Closing Date. If the completed and signed FAA is delivered by post to the Offeror, please use the enclosed pre-addressed envelope which is enclosed with the FAA, which is pre-paid for posting in Singapore only. It is your responsibility to affix adequate postage on the said envelope if posting outside of Singapore.

Rejection. If upon receipt by CDP, on behalf of the Offeror, of the FAA, it is established that such Offer Shares have not been or will not be, credited to the "Free Balance" of your Securities Account (as, for example, where you sell or have sold such Offer Shares), your acceptance is liable to be rejected. None of CDP, UOB, and/or the Offeror accepts any responsibility or liability in relation to such a rejection, including the consequences thereof.

If you purchase Offer Shares on the SGX-ST on a date close to the Closing Date, your acceptance in respect of such Offer Shares is liable to be rejected if the "Free Balance" of your Securities Account is not credited with such Offer Shares by the Date of Receipt or by 5.30 p.m. (Singapore time) on the Closing Date (if the FAA is received by CDP on the Closing Date), unless **Paragraph 1.1(a)(i)(A)(II)** read together with **Paragraph 1.1(a)(i)(B)** of this **Appendix 2** apply. If the Unsettled Buy Position does not settle by 5.30 p.m. on the Closing Date, your acceptance in respect of such Offer Shares will be rejected. None of the UOB, CDP and the Offeror accepts any responsibility or liability in relation to such a rejection, including the consequences thereof.

(c) **Depositors whose Securities Accounts are and will be credited with Offer Shares.** If you have Offer Shares credited to your Securities Account, and have purchased additional Offer Shares on the SGX-ST which are in the process of being credited to your Securities Account, you may accept the Offer in respect of the Offer Shares standing to the credit of the "Free Balance" of your Securities Account and may accept the Offer in respect of the additional Offer Shares purchased which are in the process of being credited to your Securities Account only **AFTER** the "Free Balance" of your Securities Account has been credited with such number of Offer Shares.

(d) **FAAs received on Saturday, Sunday and public holidays.** For the avoidance of doubt, FAAs received by CDP on a Saturday, Sunday or public holiday in Singapore will only be processed and validated on the next Business Day.

(e) **General.** No acknowledgement will be given by CDP for submissions of FAAs. All communications, notices, documents and payments to be delivered or sent to you will be sent by ordinary post at your own risk to your address as it appears in the records of CDP. For reasons of confidentiality, CDP will not entertain telephone enquiries relating to the number of Offer Shares credited to your Securities Account. You can verify such number in your Securities Account: (i) through CDP Online if you have registered for the CDP Internet Access Service; or (ii) through the CDP Phone Service using SMS OTP, under the option "To check your securities balance".

(f) **Blocked Balance.** Upon receipt of the FAA which is complete and valid in all respects, CDP will transfer the Offer Shares in respect of which you have accepted the Offer from the "Free Balance" of your Securities Account to the "Blocked Balance" of your Securities Account. Such Offer Shares will be held in the "Blocked Balance" until the consideration for such Offer Shares has been despatched to you.

(g) **Notification.** If you have accepted the Offer in accordance with the provisions contained in this **Appendix 2** and the FAA, upon the Offer becoming or being declared to be unconditional in all respects in accordance with its terms, CDP will send you a notification letter stating the number of Offer Shares debited from your Securities Account together with payment of the Offer Price by way of a cheque drawn on a bank in Singapore for the appropriate amount, or in such other manner that you have agreed with CDP for the payment of any cash distribution, at your own risk, as soon as practicable and in any event:

(i) in respect of acceptances of the Offer which are complete and valid in all respects and are received on or before the date on which the Offer becomes or is declared unconditional in all respects in accordance with its terms, within seven Business Days of that date; or

(ii) in respect of acceptances of the Offer which are complete and valid in all respects and are received after the Offer becomes or is declared unconditional in all respects in accordance with its terms, but before the Offer closes, within seven Business Days of the date of such receipt.

(h) **Return of Offer Shares.** In the event the Offer does not become or is not declared to be unconditional in all respects in accordance with its terms, CDP will return the aggregate number of Offer Shares in respect of which you have accepted the Offer and tendered for acceptance under the Offer to the "Free Balance" of your Securities Account as soon as possible but in any event within 14 days from the lapse or withdrawal of the Offer.

(i) **No Securities Account.** If you do not have any existing Securities Account in your own name at the time of acceptance of the Offer, your acceptance as contained in the FAA will be rejected.

1.2 Scrip Holders

(a) **Shareholders whose Shares are not deposited with CDP.** If you hold Offer Shares which are not deposited with CDP ("**in scrip form**"), you should receive this Offer Document together with a FAT.

(b) **Acceptance.** If you wish to accept the Offer in respect of such Offer Shares, you should:

(i) complete the FAT in accordance with the provisions and instructions in this Offer Document and the FAT. In particular, you must state in **Part A** of the FAT, the number of Offer Shares in respect of which you wish to accept the Offer and state in **Part B** of the FAT, the share certificate number(s) of the relevant share certificate(s). If you:

(A) do not specify a number in **Part A** of the FAT; or

(B) specify a number in **Part A** of the FAT which exceeds the number of Offer Shares represented by the attached share certificate(s) accompanying the FAT,

you shall be deemed to have accepted the Offer in respect of the total number of Offer Shares represented by the share certificate(s) accompanying the FAT;

(ii) sign the FAT in accordance with this **Appendix 2** and the instructions printed on the FAT; and

(iii) deliver:

(A) the duly completed and signed FAT (no part may be detached or otherwise mutilated);

(B) the share certificate(s), other document(s) of title and/or other relevant document(s) required by the Offeror and/or the Receiving Agent relating to the Offer Shares in respect of which you wish to accept the Offer. If you are recorded in the Register as holding Offer Shares but do not have the relevant share certificate(s) relating to such Offer Shares, you, at your own risk, are required to procure the Company to issue such share certificate(s) in accordance with the constitution of the Company and then deliver such share certificate(s) in accordance with the procedures set out in this Offer Document and the FAT;

(C) where such Offer Shares are not registered in your name, a transfer form, duly executed by the person in whose name such share certificate(s) is/are registered and stamped, with the particulars of the transferee left blank (to be completed by the Offeror or a person authorised by it); and

(D) any other relevant document(s),

either

(I) **by hand**, to China Merchants Industry Investment Limited c/o Boardroom Corporate & Advisory Services Pte. Ltd., at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623; or

(II) **by post**, in the enclosed pre-addressed envelope at your own risk, to China Merchants Industry Investment Limited c/o Boardroom Corporate & Advisory Services Pte. Ltd., at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623

in each case so as to arrive not later than 5.30 p.m. (Singapore time) on the Closing Date. If the completed and signed FAT is delivered by post to the Offeror, please use the enclosed pre-addressed envelope at your own risk which is enclosed with the FAT, which is pre-paid for posting in Singapore only. It is your responsibility to affix adequate postage on the said envelope if posting outside of Singapore.

(c) **Receipt.** No acknowledgement of receipt of any FAT, share certificate(s), other document(s) of title, transfer form(s) and/or any other accompanying document(s) will be given by the Offeror, UOB or the Receiving Agent.

(d) **Return of Offer Shares.** In the event the Offer does not become or is not declared to be unconditional in all respects in accordance with its terms, the FAT, the share certificate(s) and any other accompanying document(s) will be returned to you as soon as possible but, in any event, within 14 days of the lapse or withdrawal of the Offer.

(e) **FATs received on Saturday, Sunday and public holidays.** For the avoidance of doubt, FATs received by the Receiving Agent on a Saturday, Sunday or public holiday in Singapore will only be processed and validated on the next Business Day.

2. GENERAL

2.1 Disclaimer and Discretion. The Offeror, UOB, the Registrar/Receiving Agent and/or CDP will be entitled, in their sole and absolute discretion, to reject or treat as valid any acceptance of the Offer through the FAA and/or the FAT, as the case may be, which is not entirely in order or which does not comply with the terms of this Offer Document and the Relevant Acceptance Forms or which is otherwise incomplete, incorrect, unsigned or invalid in any respect. If you wish to accept the Offer, it is your responsibility to ensure that the FAA and/or the FAT, as the case may be, is properly completed in all respects and that the FAA and/or the FAT, as the case may be, should be submitted with original signature(s) and that all required documents, where applicable, are provided. Any decision to reject or treat as valid any acceptance will be final and binding and none of the Offeror, UOB, the Registrar/Receiving Agent and/or CDP accepts any responsibility or liability for such a decision, including the consequences of such a decision. The Offeror and UOB each reserves the right to treat acceptances of the Offer as valid if received by or on behalf of any of them at any place or places determined by them otherwise than as stated in this Offer Document and in the FAA and/or the FAT, as the case may be, or if made otherwise than in accordance with the provisions of this Offer Document and in the FAA and/or the FAT, as the case may be.

2.2 Scrip and Scripless Offer Shares. If you hold some Offer Shares in scrip form and others with CDP, you should complete a FAT for the former and a FAA for the latter in accordance with the respective procedures set out in this **Appendix 2** and the Relevant Acceptance Forms if you wish to accept the Offer in respect of such Offer Shares.

2.3 Deposit Time. If you hold Offer Shares in scrip form, the Offer Shares may not be credited into your Securities Account with CDP in time for you to accept the Offer by way of the FAA if you were to deposit your share certificate(s) with CDP after the Commencement Date and ending on the Closing Date (both dates inclusive). If you wish to accept the Offer in respect of such Offer Shares held in scrip form, you should complete a FAT and follow the procedures set out in **Paragraph 1.2** of this **Appendix 2**.

2.4 Correspondences. All communications, certificates, notices, documents and remittances to be delivered or sent to you (or in the case of scrip holders, your designated agent or, in the case of joint Accepting Shareholders who have not designated any agent, to the one first named in the records of CDP or the Register, as the case may be) will be sent by ordinary post to your respective mailing addresses as they appear in the records of CDP or the Register, as the case may be, at the risk of the person entitled thereto (or for the purposes of remittances only, to such different name and addresses as may be specified by you in the FAA and/or the FAT, as the case may be, at your own risk).

2.5 **Evidence of Title.** Delivery of the duly completed and signed FAA and/or FAT, together with the relevant share certificate(s) and/or other documents of title (where applicable) and/or other relevant document(s) required by the Offeror, CDP and/or the Registrar/Receiving Agent, to the Offeror, CDP and/or the Registrar/Receiving Agent, as the case may be, shall be conclusive evidence in favour of the Offeror, CDP and/or the Registrar/Receiving Agent, as the case may be, of the right and title of the person(s) signing it to deal with the same and with the Offer Shares to which it relates.

2.6 **Loss in Transmission.** The Offeror, UOB, the Registrar/Receiving Agent and/or CDP, as the case may be, shall not be liable for any loss in transmission of the FAA and/or the FAT.

2.7 **Acceptances Irrevocable.** Except as expressly provided in this Offer Document and the Code, the acceptance of the Offer made by you using the FAA and/or the FAT, as the case may be, shall be irrevocable and any instructions or subsequent FAA(s) and/or FAT(s) received by CDP and/or the Registrar/Receiving Agent, as the case may be, after the FAA and/or the FAT, as the case may be, has been received shall be disregarded.

2.8 **Personal Data Privacy.** By completing and delivering a Relevant Acceptance Form, each person: (a) consents to the collection, use and disclosure of his personal data by CDP, the Registrar/Receiving Agent, the Offeror, UOB and the Company (the "**Specified Persons**") for the purpose of facilitating his acceptance of the Offer, and in order for the Specified Persons to comply with any applicable laws, regulations and/or guidelines; (b) warrants that where he discloses the personal data of another person, such disclosure is in compliance with applicable laws, regulations and/or guidelines; and (c) agrees that he will indemnify the Specified Persons in respect of any penalties, liabilities, claims, demands, losses and damages as a result of his breach of warranty.

1. DIRECTORS

The name, address and description of each Offeror Director as at the Latest Practicable Date are as follows:

Name	Address	Description
Mr. Zha Delong	31/F Tower 2 Kowloon Commerce Centre, no. 51 Kwai Cheong Road, Kwai Chung, N.T., Hong Kong	Director
Ms. Li Jinsong	31/F Tower 2 Kowloon Commerce Centre, no. 51 Kwai Cheong Road, Kwai Chung, N.T., Hong Kong	Director

2. SHARE CAPITAL AND PRINCIPAL ACTIVITY

The Offeror is a company incorporated in Hong Kong SAR on 5 February 2015. Its principal activity is that of investment holding. As at the Latest Practicable Date, the Offeror has an issued and paid-up share capital of HK$10,000 comprising 10,000 issued ordinary shares, all of which are held by CMIH.

3. SUMMARY OF FINANCIAL INFORMATION

Set out below is a summary of certain financial information extracted from the audited financial statements of the Offeror for the years ended 31 December 2018, 31 December 2017 and 31 December 2016 ("**FY2018**", "**FY2017**" and "**FY2016**" respectively).

Statement of Profit or Loss

HK$	FY2018	FY2017	FY2016
Revenue	–	–	–
Exceptional items (Impairment loss on other non-current asset)	–	(15,500,600)	–
Loss before tax	(26,821)	(15,509,434)	(19,081)
Loss after tax	(26,821)	(15,509,434)	(19,081)
Attributable to:			
- Shareholders of the Offeror	(26,821)	(15,509,434)	(19,081)
- Non-controlling interests	–	–	–
Per share			
Number of shares	10,000	10,000	10,000
Net loss per share	(2.68)	(1,550.94)	(1.91)
Net dividends per share	–	–	–

Statement of Financial Position

HK$	As at 31 December 2018 (Audited)	As at 31 December 2017 (Audited)
Current assets		
Amount due from a subsidiary	6,231,400	–
Bank balance	641	–
Non-current assets		
Investment in a subsidiary	1,933,340	–
Investment in an associate	397,501,420	–
Current liabilities		
Amount due to immediate holding company	421,227,029	15,533,407
Net liabilities	**15,560,228**	**15,533,407**
Capital and reserves		
Share capital	10,000	10,000
Accumulated losses	(15,570,228)	(15,543,407)
Total equity	**(15,560,228)**	**(15,533,407)**

The summary of financial information should be read in conjunction with the audited financial statements and their accompaying notes of the Offeror. Copies of the audited financial statements of the Offeror for FY2018, FY2017 and FY2016 are available for inspection at the offices of the Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 during normal business hours.

4. MATERIAL CHANGES IN FINANCIAL POSITION

As at the Latest Practicable Date, save as a result of the making and financing of the Offer, there have been no material changes in the financial position of the Offeror since the last published audited accounts of the Offeror.

5. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies of the Offeror are disclosed in the notes to the audited financial statements of the Offeror, copies of which are available for inspection at the offices of the Registrar. Extracts of the significant accounting policies of the Offeror are set out in **Appendix 7** to this Offer Document.

6. CHANGES IN ACCOUNTING POLICIES

There have been no changes to the significant accounting policies of the Offeror since 31 December 2018, being the financial year end date of the last published audited accounts of the Offeror, which will cause the figures set out in this **Appendix 3** to be not comparable to a material extent.

7. REGISTERED OFFICE

The registered office of the Offeror is at 31/F Tower 2 Kowloon Commerce Centre, no. 51 Kwai Cheong Road, Kwai Chung, N.T., Hong Kong.

1. DIRECTORS

The name, address and description of each CMIH Director as at the Latest Practicable Date are as follows:

Name	Address	Description
Mr. Wang Cuijin	31/F Tower 2 Kowloon Commerce Centre, no. 51 Kwai Cheong Road, Kwai Chung, N.T., Hong Kong	Director
Mr. Su Jian	31/F Tower 2 Kowloon Commerce Centre, no. 51 Kwai Cheong Road, Kwai Chung, N.T., Hong Kong	Director
Mr. Liu Zhimin	31/F Tower 2 Kowloon Commerce Centre, no. 51 Kwai Cheong Road, Kwai Chung, N.T., Hong Kong	Director
Mr. Zhang Jianhua	31/F Tower 2 Kowloon Commerce Centre, no. 51 Kwai Cheong Road, Kwai Chung, N.T., Hong Kong	Director

2. PRINCIPAL ACTIVITIES

CMIH is a leading offshore engineering equipment provider and service provider headquartered in Hong Kong SAR. It also has subsidiaries and institutions in the United States, the Netherlands, Italy, Singapore and other countries, as well as several production and manufacturing bases in East China, South China and Southwest China. The business of CMIH is concentrated in four main areas, namely manufacturing of offshore engineering equipment, repairing and conversion of ship and offshore equipment, new building of luxury cruises, as well as manufacturing of new materials and special equipment.

3. SUMMARY OF FINANCIAL INFORMATION

Set out below is a summary of certain financial information extracted from the audited consolidated financial statements of CMIH for FY2018, FY2017 and FY2016.

Consolidated Statement of Profit or Loss

RMB million	FY2018	FY2017	FY2016
Revenue	5,913.5	7,629.6	5,792.8
Exceptional items	–	–	–
Loss before tax	(4,506.8)	(5,188.0)	(2,225.4)
Loss after tax	(4,619.8)	(5,341.7)	(2,298.9)
Attributable to:			
- Shareholders of the Offeror	(4,619.8)	(5,341.7)	(2,298.9)
- Non-controlling interests	–	–	–
Per share			
Number of shares	7,639,361,904	7,639,361,904	4,845,946,080
Net loss per share (RMB)	(0.60)	(0.70)	(0.47)
Net dividends per share (RMB)	0	0	0

Consolidated Statement of Financial Position

RMB million	As at 31 December 2018 (Audited)	As at 31 December 2017 (Audited)
Assets		
Cash and bank balances	643.0	475.8
Notes and accounts receivable	1,045.7	386.2
Prepayments	326.8	522.4
Other receivables	798.6	383.8
Inventories	12,248.8	15,375.5
Non-current assets due within one year	65.6	96.1
Other current assets	342.1	307.9
Current assets	**15,470.6**	**17,547.6**
Long-term receivables	2,418.3	2,034.7
Long-term equity investments	11,921.2	9,280.8
Other investment in equity instruments	5.0	–
Investment properties	–	–
Fixed assets	4,653.8	4,926.1
Construction in progress	281.6	97.0
Intangible assets	697.0	671.6
Goodwill	20.1	20.1
Long-term deferred exenditures	7.9	–
Deferred tax assets	34.4	23.5
Other non-current assets	413.9	19.1
Non-current assets	**20,453.2**	**17,072.9**
Total assets	**35,923.8**	**34,620.5**
Liabilities		
Short-term loans	7,764.3	7,883.9
Notes and accounts payable	2,874.6	2,223.7
Receipts in advance	207.1	511.2
Employee benefits payable	266.0	225.1
Taxes and levies payable	71.1	121.3
Other payables	2,102.5	461.7
Non-current liabilities due within one year	9,191.9	4,081.4
Other current liabilities	2.6	3.7
Current liabilities	**22,480.2**	**15,512.0**
Long-term loans	4,964.9	8,778.9
Provisions	171.9	–
Deferred income	133.6	115.9
Deferred tax liabilities	511.4	443.5
Non-current liabilities	**5,781.9**	**9,338.3**
Total liabilities	**28,262.1**	**24,850.3**

RMB million	As at 31 December 2018 (Audited)	As at 31 December 2017 (Audited)
Equity		
Equity attributable to owners of the company	7,661.7	9,770.2
Non-controlling interest	–	–
Total equity	**7,661.7**	**9,770.2**
Total liabilities and equity	**35,923.8**	**34,620.5**

The summary of financial information should be read in conjunction with the audited financial statements and their accompanying notes of CMIH. Copies of the audited consolidated financial statements of CMIH for the FY2018, FY2017 and FY2016 as translated into the English language are available for inspection at the offices of the Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 during normal business hours.

4. MATERIAL CHANGES IN FINANCIAL POSITION

As at the Latest Practicable Date, there have been no material changes in the financial position of CMIH since the last published audited accounts of CMIH.

5. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies of CMIH are disclosed in the notes to the consolidated audited financial statements of CMIH, copies of which are available for inspection at the offices of the Registrar. Extracts of the significant accounting policies of CMIH as translated into the English language are set out in **Appendix 8** to this Offer Document.

6. CHANGES IN ACCOUNTING POLICIES

There have been no changes to the significant accounting policies of CMIH since 31 December 2018, being the financial year end date of the last published audited consolidated accounts of CMIH, which will cause the figures set out in this **Appendix 4** to be not comparable to a material extent.

7. REGISTERED OFFICE

The registered office of CMIH is at 31/F Tower 2 Kowloon Commerce Centre, no. 51 Kwai Cheong Road, Kwai Chung, N.T., Hong Kong.

1. DIRECTORS

The names, addresses and descriptions of each director of the Company as at the Latest Practicable Date are as follows:

Name	Address	Description
Dr. Diao Weicheng	8 Robinson Road, #13-00 ASO Building, Singapore 048544	Executive Chairman
Mr. Sun Yan	8 Robinson Road, #13-00 ASO Building, Singapore 048544	Chief Executive Officer and Executive Director
Mr. Li Meijin	8 Robinson Road, #13-00 ASO Building, Singapore 048544	Executive Director
Mr. Teng Cheong Kwee	8 Robinson Road, #13-00 ASO Building, Singapore 048544	Lead Independent Director
Professor Wang Puqu	8 Robinson Road, #13-00 ASO Building, Singapore 048544	Independent Director
Ms. Alice Lai Kuen Kan	8 Robinson Road, #13-00 ASO Building, Singapore 048544	Independent Director

2. SHARE CAPITAL

As at the Latest Practicable Date, the Company has:

(a) an issued and paid-up share capital of RMB101,237,000, comprising 285,576,000 Shares and the Company does not have any treasury Shares;

(b) no outstanding instruments convertible into, rights to subscribe for, or options in respect of, Shares.

3. MATERIAL CHANGES IN FINANCIAL POSITION

As at the Latest Practicable Date, save as disclosed in the unaudited consolidated financial statements of the Target Group for the third quarter and nine month period ended 30 September 2019 announced by the Company on 8 November 2019 and any other information on the Target Group which is publicly available (including, without limitation, the announcements released by the Company on SGXNET), there have been, to the best knowledge of the Offeror, no material changes in the financial position or prospects of the Company since 31 December 2018, being the date of the last audited consolidated financial statements of the Company laid before the Shareholders in general meeting.

4. REGISTERED OFFICE

The registered office of the Company is at 8 Robinson Road, #13-00 ASO Building, Singapore 048544.

1. DISCLOSURE OF INTERESTS

1.1 **No Agreement having any Connection with or Dependence upon Offer.** As at the Latest Practicable Date, save as disclosed in this Offer Document (including **Sections 6** and **7** of the Letter to Shareholders in this Offer Document), there is no agreement, arrangement or understanding between (a) the Offeror or any parties acting in concert with the Offeror and (b) any of the current or recent directors of the Company or any of the current or recent shareholders of the Company having any connection with or dependence upon the Offer.

1.2 **Transfer of Offer Shares.** As at the Latest Practicable Date, save as disclosed in this Offer Document, there is no agreement, arrangement or understanding whereby any Offer Shares acquired pursuant to the Offer will be transferred to any other person. The Offeror, however, reserves the right to transfer any of the Offer Shares to its shareholders, any of its related corporations or for the purpose of granting security in favour of financial institutions which have extended or shall extend credit facilities to it.

1.3 **Payment or Benefit to Directors of the Company.** As at the Latest Practicable Date, there is no agreement, arrangement or understanding for any payment or other benefit to be made or given to any director of the Company or any of its related corporations as compensation for loss of office or otherwise in connection with the Offer.

1.4 **No Agreement Conditional upon Outcome of Offer.** As at the Latest Practicable Date, save as disclosed in this Offer Document (including **Sections 6** and **7** of the Letter to Shareholders in this Offer Document), there is no agreement, arrangement or understanding between: (a) the Offeror; and (b) any of the directors of the Company or any other person in connection with or conditional upon the outcome of the Offer or is otherwise connected with the Offer.

1.5 **Transfer Restrictions.** The constitution of the Company does not contain any restrictions on the right to transfer the Offer Shares.

2. GENERAL

2.1 **Costs and Expenses.** All costs and expenses of or incidental to the preparation and circulation of this Offer Document and the Relevant Acceptance Forms (other than professional fees and other costs relating to the Offer or any revision thereof incurred or to be incurred by the Company relating to the Offer) and stamp duty and transfer fees resulting from acceptances of the Offer will be paid by the Offeror.

2.2 **Consent.** UOB, as sole financial adviser to the Offeror and the Registrar/Receiving Agent, has each given and has not withdrawn their written consent to the issue of this Offer Document with the inclusion of their names and all references to their names in the form and context in which it appears in this Offer Document.

3. MARKET QUOTATIONS

3.1 **Closing Prices.** The following table sets out the closing prices of the Shares on the SGX-ST (as reported by Bloomberg L.P.): (a) on the Latest Practicable Date; (b) on the Last Trading Day; and (c) on the last Market Day of each of the six calendar months preceding the Pre-Conditional Offer Announcement Date.

Date	Closing Price (S$)(1)
18 November 2019 (the Latest Practicable Date)	0.149(2)
27 August 2019 (the Last Trading Day)	0.109
July 2019	0.090
June 2019	0.091
May 2019	0.128

Date	Closing Price (S$)[1]
April 2019	0.095
March 2019	0.100
February 2019	0.096

Note:

(1) Based on data extracted from Bloomberg L.P. on 18 November 2019, being the Latest Practicable Date, figures rounded to the nearest three decimal places.

(2) The closing price on 15 November 2019. There were no trades on 18 November 2019.

3.2 **Highest and Lowest Closing Prices.** The highest and lowest closing prices of the Shares on the SGX-ST (as reported by Bloomberg L.P.) during the period commencing six months prior to the Pre-Conditional Offer Announcement Date and ending on the Latest Practicable Date (being 27 February 2019 to 18 November 2019 (both dates inclusive)) are as follows:

	Closing Price (S$)[1]	Dates[1]
Highest closing price	0.149	18 and 31 October 2019, 13 to 15 November 2019
Lowest closing price	0.081	22 April 2019

Note:

(1) Based on data extracted from Bloomberg L.P. on 18 November 2019, being the Latest Practicable Date, figures rounded to the nearest three decimal places.

4. DOCUMENTS FOR INSPECTION

Copies of the following documents may be inspected at the offices of the Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 during normal business hours, while the Offer remains open for acceptance.

(a) The Pre-Conditional Offer Announcement;

(b) the Offer Announcement;

(c) the AIHL Irrevocable Undertaking;

(d) the articles of association of the Offeror;

(e) the audited financial statements of the Offeror for FY2018, FY2017 and FY2016;

(f) the audited consolidated financial statements of CMIH for FY2018, FY2017 and FY2016;

(g) the letters of consent of UOB and the Registrar/Receiving Agent referred to in **Paragraph 2.2** of this **Appendix 6**.

All capitalised terms used in the following extracts shall have the same meanings given to them in the audited consolidated financial statements of the Offeror for FY2018, a copy of which is available for inspection at the offices of the Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 during normal business hours for the period which the Offer remains open for acceptance.

The following is extracted from Note 4 to the audited financial statements of the Offeror for FY2018.

4. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with all applicable HKFRSs that are relevant to these financial statements issued by the HKICPA and the Hong Kong Companies Ordinance.

The financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

The principal accounting policies are set out below:

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary difference between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in a subsidiary and an associate, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognised in profit or loss.

Financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Under HKFRS 9 (applicable on or after 1 January 2018)

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are subsequently measured in their entirety at amortised cost.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Under HKFRS 9 (applicable on or after 1 January 2018) (Continued)

Financial assets (Continued)

Financial assets at amortised cost (debt instruments)

The Company measures financial assets subsequently at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment.

(i) Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

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

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Under HKFRS 9 (applicable on or after 1 January 2018) (Continued)

Financial assets (Continued)

Impairment of financial assets

The Company recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

For all financial instruments, the Company measures the loss allowance equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, the Company recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Under HKFRS 9 (applicable on or after 1 January 2018) (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

Significant increase in credit risk (Continued)

Despite the foregoing, the Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term, and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Company considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

The Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate.

The Company recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Under HKFRS 9 (applicable on or after 1 January 2018) (Continued)

Financial assets (Continued)

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost, using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

4. **SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Financial instruments (Continued)

Under HKAS 39 (applicable before 1 January 2018)

Financial liabilities and equity instruments

Debt and equity instruments issued by the Company are classified as either financial liabilities or equity in accordance with the substance of the contractual arrangements and definitions of a financial liability and an equity instrument.

Financial liabilities

Financial liabilities including amount due to immediate holding company is subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derecognition

A financial asset is derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

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

A financial liability is derecognised when, and only when the Company's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment in a subsidiary

A subsidiary is an entity over which the Company has control. Control is achieved where the Company has: (i) the power over the investee; (ii) exposure, or rights, to variable returns from its involvements with the investee; and (iii) the ability to use its power over the investee to affect the amount of the Company's returns.

Investment in a subsidiary is included in the statement of financial position at cost less any identified impairment loss.

Investment in an associate

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

Investment in an associate is included in the statement of financial position at cost less any identified impairment loss.

Cash and cash equivalents

Bank balance in the statement of financial position comprises cash at bank.

For the purpose of the statement of cash flows, cash and cash equivalents consist of bank balance as defined above.

Impairment losses on tangible assets

At the end of the reporting period, the Company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

All capitalised terms used in the following extracts shall have the same meanings given to them in the audited consolidated financial statements of CMIH for FY2018 as translated into the English language, a copy of which is available for inspection at the offices of the Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 during normal business hours for the period which the Offer remains open for acceptance.

The following is extracted from Note IV to the audited financial statements of CMIH for FY2018 as translated into the English language.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

1. Accounting period

The accounting period of the Company is from 1 January to 31 December of each Gregorian calendar year.

2. Reporting currency

Renminbi ("RMB") is the currency of the primary economic environment in which the principal subsidiaries of the Company operate. Therefore, the subsidiaries located in the mainland of the People's Republic of China ("PRC") choose RMB as their functional currency. The Company and other subsidiaries choose their functional currency on the basis of the primary economic environment in which they operate. The Group adopts RMB to prepare its financial statements.

3. Basis of accounting and principle of measurement

The Group's financial statements have been prepared on an accrual basis and on the historical cost except for certain financial instruments that are measured at fair values. If assets are impaired, the impairment is provisioned based on relevant rules and regulations.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis.

Fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significant of the inputs to the fair value measurement in its entirely, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

4. Business combinations

Business combinations are classified into business combinations involving enterprises under common control and business combinations not involving enterprises under common control.

4.1 Business combinations involving enterprises under common control

A business combination involving enterprises under common control is a business combination in which all of the combining enterprises are ultimately controlled by the same party or parties both before and after the combination, and that control is not transitory.

Assets and liabilities obtained shall be measured at their respective carrying amounts as recorded by the combining entities at the date of the combination. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination is adjusted to the share premium in capital reserve. If the share premium is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

Costs that are directly attributable to the combination are charged to profit or loss in the year in which they are incurred.

4.2 Business combinations not involving enterprises under common control

A business combination not involving enterprises under common control is a business combination in which all of the combining enterprises are not ultimately controlled by the same party or parties before and after the combination.

The cost of combination is the aggregate of the fair values, at the acquisition date, of the assets given, liabilities incurred or assumed, and equity securities issued by the acquirer in exchange for control of the acquiree. The intermediary expenses incurred by the acquirer in respect of auditing, legal services, valuation and consultancy services, etc. and other associated administrative expenses attributable to the business combination are recognized in profit or loss when they are incurred. The transaction fees of the equity securities or debt securities issued by the purchaser as combination considerations shall be included in the initial recognition amount of equity securities or debt securities. Where a business combination not involving enterprises under common control is achieved in stages that involve multiple transactions, the cost of combination is the sum of the consideration paid at the acquisition date and the fair value at the acquisition date of the acquirer's previously held interest in the acquiree. The equity interest in the acquiree held before the acquisition date is re-measured at its fair value at the acquisition date, with any difference between its fair value and its carrying amount being recognized as investment income. The other comprehensive income of the acquiree before the acquisition date relating to the previously held interest in the acquiree is transferred to investment income.

The acquiree's identifiable assets, liabilities and contingent liabilities, acquired by the acquirer in a business combination, that meet the recognition criteria shall be measured at fair value at the acquisition date.

Where the cost of combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is treated as an asset and recognized as goodwill, which is measured at cost on initial recognition. Where the cost of combination is less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the acquirer firstly reassesses the measurement of the fair values of the acquiree's identifiable assets, liabilities and contingent liabilities and measurement of the cost of combination. If after that reassessment, the cost of combination is still less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the acquirer recognizes the remaining difference immediately in profit or loss.

5. Goodwill

Goodwill arising on a business combination is measured at cost less accumulated impairment losses, and is presented separately in the consolidated financial statements. It is tested for impairment at least at the end of each year.

For the purpose of impairment testing, goodwill is considered together with the related assets groups, i.e. goodwill is reasonably allocated to the related assets groups or each of assets groups expected to benefit from the synergies of the combination. An impairment loss is recognized if the recoverable amount of the assets group or sets of assets groups is less than its carrying amount. The impairment loss is firstly allocated to reduce the carrying amount of any goodwill allocated to such assets group or sets of assets groups, and then to the other assets of the group pro-rata on the basis of the carrying amount of each asset in the group.

The recoverable amount of an asset is the higher of its fair value less costs of disposal and the present value of the future cash flows expected to be derived from the asset. An asset's fair value is the price in a sale agreement in an arm's length transaction. If there is no sale agreement but an asset is traded in an active market, fair value is the current bid price. If there is no sale agreement or active market for an asset, fair value is assessed based on the best information available. Costs of disposal include legal costs related to the disposal of the asset, related taxes, costs of removing the asset and direct costs to bring the asset into condition for its sale. The present value of expected future cash flows of an asset shall be determined by estimating the future cash flows to be derived from continuing use of the asset and from its ultimate disposal and applying the appropriate discount rate to those future cash flows.

The impairment of goodwill is recognized in profit or loss for the period in which it is incurred and will not be reversed in any subsequent year.

6. Preparation of consolidated financial statements

The scope of consolidation in the consolidated financial statements is determined on the basis of control. Control exists when the Company or the Group has power over the investee; is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power over the investee to affect its returns.

The above-mentioned related activities refer to activities that have a significant impact on the returns of an arrangement. The relevant activities of an arrangement should be judged according to specific conditions, usually including the sale and purchase of goods or services, the management of financial assets, the purchase and disposal of assets, research and development activities, financing activities, etc.

The Company includes all its subsidiaries in the consolidation scope of the consolidated financial statements. If an entity within the scope of consolidation of the Group is an investment entity, only the subsidiaries (if any) that provide related services for its investment activities will be included in the consolidation scope of the entity and the consolidated financial statements will be prepared. The other subsidiaries of the entity should not be consolidated, and the entity's investment in other subsidiaries should be measured at fair value through profit or loss for the period. If the parent company of the investment entity is not an investment entity itself, all the entities it controls, including those indirectly controlled by the investment entity, should be included in the scope of the consolidated financial statements.

For a subsidiary disposed of by the Group, the operating results and cash flows before the date of disposal (the date when control is lost) are included in the consolidated income statement and consolidated statement of cash flows, as appropriate.

For a subsidiary acquired through a business combination not involving enterprises under common control, the operating results and cash flows from the acquisition date (the date when control is obtained) are included in the consolidated income statement and consolidated statement of cash flows, as appropriate.

No matter when the business combination occurs in the reporting year, subsidiaries acquired through a business combination involving enterprises under common control are included in the Group's scope of consolidation as if they had been included in the scope of consolidation from the date when they first came under the common control of the ultimate controlling party. Their operating results and cash flows from the beginning of the earliest reporting year are included in the consolidated income statement and consolidated statement of cash flows, as appropriate.

The significant accounting policies and accounting years adopted by the subsidiaries are determined based on the uniform accounting policies and accounting years set out by the Company. The effects of all intra-group transactions are eliminated on consolidation. The portion of subsidiaries' equity that is not attributable to the Company is treated as minority interests and presented as "minority interests" in the consolidated balance sheet within owners' equity. The portion of net profits or losses of subsidiaries for the year attributable to minority interests is presented as "minority interests" in the consolidated income statement below the "net profit" line item. The portion of comprehensive income of subsidiaries for the year attributable to minority interests is presented as "total comprehensive income attributable to minority shareholders" in the consolidated income statement below the "total comprehensive income" line item.

When the amount of loss for the year attributable to the minority shareholders of a subsidiary exceeds the minority shareholders' portion of the opening balance of equity of the subsidiary, the excess amount are still allocated against minority interests.

The long-term equity investment in the parent company held by a subsidiary is treated as a treasury shares of the Group, as a deduction from the owner's equity, and shall be presented as "less: treasury shares" item under the owner's equity items in the consolidated balance sheet. The long-term equity investments held among the subsidiaries are offset by the offsetting method that the parent company offsets the equity investment in the subsidiaries and the long-term equity investment are offset with the shares of corresponding owner's equity in the subsidiaries.

Acquisition of minority interests or disposal of interest in a subsidiary that does not result in the loss of control over the subsidiary is accounted for as equity transactions. The carrying amounts of the Company's interests and minority interests are adjusted to reflect the changes in their relative interests in the subsidiary. The differences between the amount by which the minority interests are adjusted and the fair value of the consideration paid or received is adjusted to capital reserve under equity. If the capital reserve is not sufficient to absorb the difference, the excess are adjusted against retained earnings.

If it is able to to exercise control over the investees that are not under the common control due to additional investment, in the consolidated financial statements, the equity interest held in the acquiree before the acquisition date is re-measured at its fair value at the acquisition date, and any difference between its fair value and its carrying amount is recognized as investment income; and the other comprehensive income attributable to the equity interest held in the acquiree before the acquisition date is transferred to investment income for the current period.

When the Group loses control over the invested party due to disposal of certain equity interest or other reasons, at the time of preparing consolidated financial statements, any retained interest is re-measured by the Group at its fair value at the date when control is lost. The difference between (i) the aggregate of the consideration received on disposal and the fair value of any retained interest and (ii) the share of the former subsidiary's net assets cumulatively calculated from the acquisition date according to the original proportion of ownership interest is recognized as investment income in the year which control is lost and charge against the goodwill. Other comprehensive income associated with investment in the former subsidiary is reclassified to investment income in the year which control is lost.

The Group loses control on subsidiaries through stepwise transactions of disposal, if transactions are a bundled transaction, all transactions are seemed as one transaction of disposal investment on subsidiaries, difference between amount of disposal and book value of long-term equity investment, is recognized as other comprehensive income, and recognized in profit or loss when losing control.

7. Joint arrangements

Joint arrangment is an arrangement joint controlled by two or more parities.

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Joint arrangments can be categorized into joint operations and join ventures. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrantment. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

8. Cash and Cash equivalents

Cash represents both cash in hand and at bank available for payment at any time. Cash equivalents represent short-term and highly liquid investments that are readily convertible to known amounts of cash and subject to insignificant risk of change in value.

9. Financial instruments

Financial assets and financial liabilities are recognized in the statement of financial position when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit of loss are recognized immediately in profit or loss.

9.1 Financial assets

All recognized financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets. Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income ("FVOCI"), and fair value through profit or loss ("FVTPL").

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's model for managing them.

9.1.1 Financial assets at amortised cost

The Group measures financial assets subsequently at amortised cost if both of the following conditions are met: 1) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and 2) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment.

9.1.1.1 Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of financial assets or financial liabilities and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of credit-impaired the debt instrument on initial recognition. For purchased or originated financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Group recognizes interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

9.1.2 Financial assets at FVTOCI

The Group classifies and measures subsequently its debt instruments at FVTOCI if both of the following conditions are met: 1) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and; 2) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments are initially measured at fair value plus transaction costs. Subsequently, changes in the carrying amount of debt instruments as a result of foreign exchange gains and losses, impairment gains or losses , and interest income calculated using the effective interest method are recognised in profit or loss. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these debt instruments had been measured at amortised cost. All other changes in the carrying amount of these debts instruments are recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. When these debt instruments are derecognized, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

9.1.3 Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL. Specifically: 1) Investments in equity instruments are classified as at FVTPL, unless the Company designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition. 2) Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss.

9.1.4 Financial assets designated as at FVTOCI

On initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investment revaluation reserve. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, they will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the 'investment and other income' line item in profit or loss.

9.2 Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, lease receivables, contract assets as well as financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Company measures the loss allowance equal to 12-month ECL, unless when there has a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood or risk of a default occurring since initial recognition.

9.2.1 Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular debtor, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if 1) the financial instrument has a low risk of default, 2) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term, and 3) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations. The Group considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a financial guarantee contract, the Group considers the changes in the risk that the specified debtor will default on the contract.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

9.2.2 Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events.

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

9.2.3 Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Company measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the consolidated statement of financial position.

9.2.4 Derecognition of financial assets

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

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

9.3 Transfer of financial assets

The Group derecognizes a financial asset if one of the following conditions is satisfied: (1) the contractual rights to the cash flows from the financial asset expire; or (2) the financial asset has been transferred and substantially all the risks and rewards of ownership of the financial asset is transferred to the transferee; or (3) although the financial asset has been transferred, the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but has not retained control of the financial asset.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership of a financial asset, and it retains control of the financial asset, it recognizes the financial asset to the extent of its continuing involvement in the transferred financial asset and recognizes an associated liability. The extent of the Group's continuing involvement in the transferred asset is the extent to which it is exposed to changes in the value of the transferred asset.

For a transfer of a financial asset in its entirety that satisfies the DE recognition criteria, the difference between (1) the carrying amount of the financial asset transferred; and (2) the sum of the consideration received from the transfer and any cumulative gain or loss that has been recognized in other comprehensive income, is recognized in profit or loss.

If a part of the transferred financial asset qualifies for DE recognition, the carrying amount of the transferred financial asset is allocated between the part that continues to be recognized and the part that is derecognized, based on the respective fair values of those parts. The difference between (1) the carrying amount allocated to the part derecognized; and (2) the sum of the consideration received for the part derecognized and any cumulative gain or loss allocated to the part derecognized which has been previously recognized in other comprehensive income, is recognized in profit or loss.

9.4 Financial liabilities

Debt and equity instruments issued by an entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL. Financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the Company, are measured in accordance with the specific accounting policies set out below.

9.4.1 Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is 1) contingent consideration of an acquirer in a business combination to which HKFRS 3 applies; 2) held for trading; or 3) it is designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value with any gains or losses arising on changes in fair value recognised in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liabilities and is included in the 'other gains and losses' line item in profit or loss.
However, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognised in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

9.4.2 Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not: 1) contingent consideration of an acquirer in a business combination, 2) held-for-trading, or 3) designated as at FVTPL, are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

9.5 Derecognition of financial liabilities

The Croup derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

9.6 Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

10.Hedge instruments

The Group designates certain derivatives as hedging instruments in respect of foreign currency risk and interest rate risk in fair value hedges, cash flow hedges, or hedges of net investments in foreign operations as appropriate. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship;and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

The Group designates the full change in the fair value of a forward contract (i.e. including the forward elements) as the hedging instrument for all of its hedging relationships involving forward contracts.

10.1 Cash flow hedges

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other gains and losses' line item.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are removed from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. This transfer does not affect other comprehensive income. Furthermore, if the Group expects that some or all of the loss accumulated in other comprehensive income will not be recovered in the future, that amount is immediately reclassified to profit or loss.

The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

11.Inventories

he Group's inventories mainly include raw materials, self-produced semi-finished products, work in progress, inventories (finished goods), reusable materials, work in progress outsourced, finished goods and construction contracts etc. Inventories are initially measured at cost. Cost of inventories comprises all costs of purchase, costs of conversion and other expenditures incurred in bringing the inventories to their present location and condition.

The actual cost of inventories upon delivery is calculated using the weighted average method.
At the balance sheet date, inventories are measured at the lower of cost and net realizable value. If the net realizable value is below the cost of inventories, a provision for decline in value of inventories is made.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion, the estimated costs necessary to make the sale and relevant taxes.

Net realizable value is determined on the basis of clear evidence obtained, and takes into consideration the purposes of holding inventories and effect of post balance sheet events.

For large quantity and low value items of inventories, provision for decline in value is made based on categories of inventories. For items of inventories relating to a product line that are produced and marketed in the same geographical area, have the same or similar end uses or purposes, and cannot be practicably evaluated separately from other items in that product line, provision for decline in value is determined on an aggregate basis. Provision for decline in value of other inventories is made based on the excess of cost of inventory over its net realizable value on an item-by-item basis.

After the provision for decline in value of inventories is made, if the circumstances that previously caused inventories to be written down below cost no longer exist so that the net realizable value of inventories is higher than their cost, the original provision for decline in value is reversed and the reversal is included in profit or loss for the period.

The perpetual inventory system is maintained for stock system.

12. Long-term equity investments

12.1 Basis for determing significant influence or joint control on investee

Control is achieved where the Group has: 1) the power over the investee; 2) exposure, or right, to variable returns from its involvement with the investee; and 3) the ability to use it power over the investee to affect the amount of the Group's returns. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those polices.

12.2 Initial cost of investments

For a long-term equity investment acquired through a business combination involving enterprises under common control, the initial investment cost is the attributable share of the carrying amount of the owners' equity of the acquiree at the date of combination in the consolidated financial statements of the ultimate controlling party.

For a long-term equity investment acquired through business combination not involving enterprises under common control, the initial investment cost of the long-term equity investment is the cost of acquisition. For a long-term equity investment acquired through business combination not involving enterprises under common control and achieved in stages, the investment cost of the long-term equity investment is the aggregate of the carrying amount of the equity interest held in the acquiree prior to the acquisition date and the cost of the additional investment at the acquisition date.

12.3 Subsequent measurement and method of recognizing profit or loss

12.3.1 Cost method

Long-term equity investments in subsidiaries in the Company's financial statements are accounted for using the cost method.

Under the cost method, a long-term equity investment is measured at initial investment cost. Except for cash dividends or profits already declared but not yet paid that are included in the price or consideration actually paid upon acquisition of the long-term equity investment, investment income is recognized in the period in accordance with the attributable share of cash dividends or profit distributions declared by the investee.

12.3.2 Equity method

The Group's investments in associates and joint ventures are accounted for using the equity method, except for the investments classified as held for sale. An associate is an entity over which the Group has significant influence. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

Under the equity method, where the initial investment cost of a long-term equity investment exceeds the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, no adjustment is made to the initial investment cost. Where the initial investment cost is less than the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, the difference is recognized in profit or loss for the period, and the cost of the long-term equity investment is adjusted accordingly.

Under the equity method, the Group recognizes its share of the profit or loss and other comprehensive income of the associates and joint ventures for the period as investment income or loss and other comprehensive income. The Group recognizes its share of the investee's profit or loss based on the fair value of the investee's individual separately identifiable assets, etc. at the acquisition date after making appropriate adjustments to conform with the Group's accounting policies and accounting period. Unrealized profits or losses resulting from the Group's transactions with its associates are recognized as investment income or loss to the extent that those attributable to the Group's equity interest are eliminated. However, unrealized losses resulting from the Group's transactions with its associates and joint ventures which represent impairment losses on the transferred assets are not eliminated. Changes in owners' equity of the investee other than profit or loss are correspondingly adjusted to the carrying amount of the long-term equity investment, and recognized as other comprehensive income.

The Group discontinues recognizing its share of net losses of the investee after the carrying amount of the long-term equity investment together with any long-term interests that in substance form part of its net investment in the investee is reduced to zero. If the Group has incurred obligations to assume additional losses of the investee, a provision is recognized according to the expected obligation, and recorded as investment loss for the period. Where net profits are subsequently made by the investee, the Group resumes recognizing its share of those profits only after its share of the profits exceeds the share of losses previously not recognized.

12.4 Disposal of long-term equity investments

On disposal of a long term equity investment, the difference between the proceeds actually received and receivable and the carrying amount is recognized in profit or loss for the period. When the Group's ownership interest in an associate or a joint venture is reduced, but the Group continues to apply the entity method, the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest is reclassified to profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

When the Group loses control of a subsidiary, it (1) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (2) derecognises the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (3) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognised as a gain or loss in profit or loss attributable to the Group. When assets and liabilities of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets and liabilities (i.e. reclassified to profit or loss or transferred directly to retained earnings). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting Financial Instruments or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

When the investment ceases to be an associate or a joint venture upon the Group losing significant influence over the associate or joint control over the joint venture, the Group discontinues to apply equity method and any retained interest is measured at fair value at that date which is regarded as its fair value on initial recognition as a financial asset in accordance with the applicable standard. Any difference between the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture and the carrying amount of the investment at the date the equity method was discontinued is recognised in profit or loss. Any amount previously recognised in other comprehensive income in relation to that investment is reclassified to profit or loss or retained earnings on the same basis as it would have been required if the investee had directly disposed of the related assets or liabilities.

13.Investment properties

Investment property is property held to earn rentals or for capital appreciation or both. It includes a land use right that is leased out and a building that is leased out.

An investment property is measured initially at cost. Subsequent expenditures incurred for such investment property are included in the cost of the investment property if it is probable that economic benefits associated with an investment property will flow to the Group and the subsequent expenditures can be measured reliably. Other subsequent expenditures are recognized in profit or loss in the period in which they are incurred.

The Group uses the cost model for subsequent measurement of investment property, and adopts a depreciation or amortization policy for the investment property which is consistent with that for buildings or land use rights.

When an investment property is sold, transferred, retired or damaged, the Group recognizes the amount of any proceeds on disposal net of the carrying amount and related taxes in profit or loss for the period.

14. Fixed assets and depreciation

Fixed assets are tangible assets that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and have useful lives of more than one accounting period. A fixed asset is recognized only when it is probable that economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. Fixed assets are initially measured at cost, and the effect of any expected costs of abandoning the asset at the end of its use is considered.

Subsequent expenditures incurred for the fixed asset are included in the cost of the fixed asset and if it is probable that economic benefits associated with the asset will flow to the Group and the subsequent expenditures can be measured reliably. Meanwhile the carrying amount of the replaced part is derecognized. Other subsequent expenditures are recognized in profit or loss in the period in which they are incurred.

A fixed asset is depreciated over its useful life using the straight-line method since the month subsequent to the one in which it is ready for intended use. The useful life, estimated net residual value rate and annual depreciation rate of each category of fixed assets are as follows:

Categories	Useful life	Residual value	Annual
Buildings	10 - 50 years	0.00% - 10.00%	1.80% - 10.00%
Port and terminal facility	8 - 50 years	5.00%	1.90% - 11.88%
Machinery, equipment, furniture	3 - 20 years	0.00% - 10.00%	4.50% - 33.33%
Vehicles & vessels	3 - 25 years	0.00% - 10.00%	3.60% - 33.33%

Estimated net residual value is the amount that the Group would obtain from disposal of the asset after deducted the estimated cost of disposal if the expected using life of a fixed asset is expired in the condition at termination.

If a fixed asset is upon disposal or no future economic benefits are expected to be generated from its use or disposal, the fixed asset is derecognized. When a fixed asset is sold, transferred, scrapped or damaged, the amount of any proceeds from disposal of the asset net of the carrying amount and related taxes is recognized in profit or loss.

At each balance sheet date the Group reviews the useful life and estimated net residual value of fixed assets and the depreciation method used, any changes on these items will be accounted for as changes in an accounting estimate.

15. Construction in progress

Construction in progress is measured at its actual costs. The actual costs include various construction expenditures during the construction year, borrowing costs capitalized before it is ready for intended use and other relevant costs. Construction in progress is not depreciated. Construction in progress is transferred to a fixed asset when it is ready for intended use.

16. Intangible assets

16.1 Intangible assets

Intangible assets include land-use rights, software, trademark right etc.

An intangible asset is measured initially at cost. When an intangible asset with a finite useful life is available for use, its original cost less net residual value and any accumulated impairment losses is amortized over its estimated useful life using the straight-line method. An intangible asset with an indefinite useful life is not amortized.

For an intangible asset with a finite useful life, the Group reviews the useful life and amortization method at the end of the period, and makes adjustments when necessary.

16.2 Research and development costs

The research cost should be charged to expense when they occurred.

Expenditure during the development phase that meets all of the following conditions at the same time is recognized as intangible asset. Expenditure during development phase that does not meet the following conditions is recognized in profit or loss for the period:

(1) it is technically feasible to complete the intangible asset so that it will be available for use or sale;
(2) the Group has the intention to complete the intangible asset and use or sell it;
(3) the Group can demonstrate the ways in which the intangible asset will generate economic benefits, including the evidence of the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;
(4) the availability of adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset; and
(5) the expenditure attributable to the intangible asset during its development phase can be reliably measured.

If an entity cannot distinguish the research phase of an internal project to create an intangible asset from the development phase, the entity treats the expenditure for that project as if it were incurred in the research phase only.

17.Long-term deferred expenditures

Long-term deferred expenditures are expenditures that have been incurred but shall be amortized over the current period and subsequent periods of more than one year. Long-term prepayments are amortized evenly over the estimated beneficial period.

18.Impairment of non-financial assets other than goodwill

The Group reviews the long-term equity investments, investment properties, fixed assets, construction in progress, intangible assets with finite useful life, at each balance sheet date to determine whether there is any indication that they have suffered an impairment loss. If an impairment indication exists, the recoverable amount is estimated. Intangible assets with indefinite useful life and intangible assets not yet available for use are tested for impairment annually, irrespective of whether there is any indication that the assets may be impaired.

Recoverable amount is estimated on individual basis. If it is not practical to estimate the recoverable amount of an individual asset, the recoverable amount of the asset group to which the asset belongs will be estimated. The recoverable amount of an asset or asset group is the higher of its fair value less costs of disposal and the present value of the future cash flows expected to be derived from the asset or asset group.

If such recoverable amount is less than its carrying amount, a provision for impairment losses in respect of the deficit is recognized in profit or loss for the period.

Once an impairment loss is recognized for above mentioned assets, it will not be reversed in any subsequent period.

19.Provisions

Provision is recognised for an obligation related to a contingency, such as guarantee given to external parties, discounted commercial notes, pending litigation or arbitration, product quality warranty, as a liability when all of the following conditions are satisfied: 1) the obligation is a present obligation to the Group; 2) it is probable that an outflow of economic benefits from the Group will be required to settle the obligation; 3) the amount of the obligation can be measured reliably.

Provision is measured at the best estimate of the expenditures required to settle the present obligation taking into account the risks and uncertainties surrounding the obligation. Where the effect of time value of money is material, the amount of provision is measured using the cash flows estimated to settle present obligation. Provisions are reviewed at each balance sheet date. If there are any changes, the carrying amount of provisions will be adjusted to reflect the current best estimate.

20.Employee benefits

Employee benefits refer to all forms of remuneration or compensation provided by the Group in order to obtain services provided by employees or to terminate employment contract. Employee benefits include short-term employee benefits, post-employment benefits, termination benefits, and other long-term employee benefits.

In an accounting period in which an employee has rendered service to the Group, the Group recognizes the employee benefits for that service as a liability, except for compensation for termination of employment relationship with the employees.

The Group participates in the employee social security systems, such as basic pensions, medical insurance, housing funds and other social securities established by the government in accordance with relevant requirements. The related expenditures are either included in cost of related assets or charged to profit or loss in the period when they are incurred.

When the Group terminates the employment relationship with employees before the expiry of the employment contracts or provides compensation as an offer to encourage employees to accept voluntary redundancy, if the Group has a formal plan for termination of employment relationship or has made an offer for voluntary redundancy which will be implemented immediately, and the Group cannot unilaterally withdraw from the termination plan or the redundancy offer, a provision for the compensation payable arising from the termination of employment relationship with employees is recognized with a corresponding charge to the profit or loss for the period.

Short-term employee benefits refer to employee benefits that need to be paid in full within twelve months after the end of the annual reporting period in which the employees provide related services, excluding post-employment benefits and termination benefits. Short-term employee benefits include wages or salaries, bonuses, allowances and subsidies for employees, employee benefits, medical insurance premiums, work injury insurance premiums, maternity insurance and other social insurance premiums, housing funds, union running costs and staff education costs, short-term paid absences, short-term profit-sharing plans, non-monetary benefits, and other short-term benefits. During the accounting period in which the employees provide services, short-term employee benefits payable are recognized as liabilities, and are included in relevant asset costs and expenses according to the beneficiaries of the services provided by the employees.

Post-employment benefits refer to all kinds of remuneration and benefits provided by the Group after employees retire or terminate labor relationship with the Group in order to obtain services provided by the employees, except for short-term employee benefits and termination benefits. Post-employment benefits include pension insurance, annuities, unemployment insurance, retirement benefits, and other post-employment benefits.

Post-employment benefit plan is a defined contribution plan. Post-employment benefit plan refers to the agreement reached between the Group and the employee regarding the post-employment benefit, or the regulations or measures formulated by the Group to provide post-employment benefits to employees. Defined contribution plan is post-employment benefit plan where the Group no longer assumes further payment obligations after it has paid a fixed fee to an independent fund. During the accounting period in which the employee provides services to the Group, the amount to be paid in accordance with the defined contribution plan is recognized as a liability, and is included in profit or loss or relevant cost of assets.

When the Group provides termination benefits to employees, employee benefit liabilities are recognized for termination benefits, with a corresponding charge to the profit or loss for the period at the earlier of: (1) when the Group cannot unilaterally withdraw the offer of termination benefits because of the termination plan or a curtailment proposal; and (2) when the Group recognizes costs or expenses related to restructuring that involves the payment of termination benefits.

Other long-term employee benefits refer to all employee benefits other than short-term employee benefits, post-employment benefits, and termination benefits.

21.Revenue recognition

The operating revenues of the Group mainly include revenue from sales of goods, rendering of services and transferring of assets use rights and construction contracts. The principles of revenue recognition are as follows:

(1) Revenue from sale of goods

Revenue from sale of goods is recognized when (1) the Group has transferred to the buyer the significant risks and rewards of ownership of the goods; (2) the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; (3) the amount of revenue can be measured reliably; (4) it is probable that the associated economic benefits will flow to the Group; and (5) the associated costs incurred or to be incurred can be measured reliably.

(2) Revenue from rendering of services

Revenue from rendering of services is recognized when (1) the amount of revenue can be measured reliably; (2) it is probable that the associated economic benefits will flow to the enterprise; (3) the stage of completion of the transaction can be determined reliably; and (4) the associated costs incurred or to be incurred can be measured reliably. Revenue from rendering of services is recognized using the percentage of completion method at the balance sheet date. The stage of completion of a transaction for rendering services is determined based on the proportion that costs incurred to date bear to the estimated total costs of the transaction.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognized only to the extent of the costs incurred that will be recoverable, and the costs incurred are recognized as expenses for the year. When it is not probable that the costs incurred will be recovered, revenue is not recognized.

The Group's revenue of rendering services manily comes from providing ship maintenance and repairment and port tugging boat.

(3) Revenue from assignment of asset use right

This revenue consists of house rental revenue. Revenues are recognized when: (1) it is probable that the associated economic benefits will flow to the Group; (2) the amount of revenue can be measured reliably. The amount of royalty revenue is calculated in accordance with the time and method of charging as stipulated in the relevant contract or agreement.

(4) Construction contract

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognized using the percentage of completion method at the balance sheet date.

The stage of completion of a contract is determined using the proportion that actual contract costs incurred to date bears to the estimated total contract costs.

Where the outcome of a construction contract cannot be estimated reliably, (1) if contract costs are expected to be recoverable, contract revenue is recognized to the extent of contract costs that are expected to be recoverable; and contract costs are recognized as expenses in the year in which they are incurred; (2) if contract costs are not expected to be recoverable, they are recognized as expenses immediately when incurred and contract revenue is not recognized. When the uncertainties that prevented the outcome of the construction contract from being estimated reliably no longer exist, revenue and expenses associated with the construction contract are recognized using the percentage of completion method.

If the estimated total contract costs exceed total contract revenue, the expected loss is recognized immediately as an expense for the year.

The cumulative costs incurred and cumulative gross profits (or losses) recognized for contracts in progress and the progress billings are offset and the net amount is presented in the balance sheet. Where the aggregate of cumulative costs incurred and cumulative gross profits (or losses) recognized exceed the progress billings for contracts in progress, the surplus is shown as inventory. Where the progress billings for contracts in progress exceed the aggregate of cumulative costs incurred and cumulative gross profits (or losses) recognized, the surplus is shown as receipts in advance.

22. Government grants

Government grants are transfer of monetary assets and non-monetary assets from the government to the Group at no consideration. A government grant is recognized only when the Group can comply with the conditions attaching to the grant and the Group will receive the grant.

If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount received or receivable. If a government grant is in the form of a non-monetary asset, it is measured at fair value. If the fair value cannot be reliably determined, it is measured at a nominal amount. A government grant measured at a nominal amount is recognized immediately in profit or loss for the period.

A government grant related to an asset is charged against carrying amount of related assets or recognized as deferred income and included in profit or loss over the useful life of the related asset with a reasonable and systemic method. A government grant measured at a nominal amount is recognized immediately in profit or loss for the period. Where the relevant assets are sold, transferred, scrapped or damaged before the end of their useful lives, the balance of the undistributed related deferred income shall be transferred to the profit or losses of the period in which the assets are disposed.

For a government grant related to income, if the grant is a compensation for related expenses or losses to be incurred in subsequent years, the grant is recognized as deferred income, and recognized in profit or loss over the years in which the related costs are recognized. If the grant is a compensation for related expenses or losses already incurred, the grant is recognized immediately in profit or loss for the year.

For government grants that include both asset-related and income-related components, separate accounting treatments should be applied to different parts; The Group classifies government grants that are difficult to be distinguished as government grants related to income aggregately.

A government grant related to the Group's daily activities is recognized in other income or written off related cost and expense based on the nature of economic activities; a government grant is not related to the Group's daily activities is recognized in non-operating income and expenses.

23.Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying asset are capitalized when expenditures for such asset and borrowing costs are incurred and activities relating to the acquisition, construction or production of the asset that are necessary to prepare the asset for its intended use or sale have commenced. Capitalization of borrowing costs ceases when the qualifying asset being acquired, constructed or produced becomes ready for its intended use or sale. Capitalization of borrowing costs is suspended during periods in which the acquisition, construction or production of a qualifying asset is suspended abnormally and when the suspension is for a continuous period of more than 3 months. Capitalization is suspended until the acquisition, construction or production of the asset is resumed.

Other borrowing costs are recognized as expenses in the year in which they are incurred.

Where funds are borrowed under a specific-purpose borrowing, the amount of interest to be capitalized is the actual interest expense incurred on that borrowing for the period less any bank interest earned from depositing the borrowed funds before being used on the asset or any investment income on the temporary investment of those funds. Where funds are borrowed under general-purpose borrowings, the Group determines the amount of interest to be capitalized on such borrowings by applying a capitalization rate to the weighted average of the excess of cumulative expenditures on the asset over the amounts of specific-purpose borrowings. The capitalization rate is the weighted average of the interest rates applicable to the general-purpose borrowings. During the capitalization period, exchange differences related to a specific-purpose borrowing denominated in foreign currency are all capitalized. Exchange differences in connection with general-purpose borrowings are recognized in profit or loss in the period in which they are incurred.

24.Income tax

The income tax expenses include current income tax and deferred income tax.

24.1 Current income tax

At the balance sheet date, current income tax liabilities (or assets) for the current and prior years are measured at the amount expected to be paid (or recovered) according to the requirements of tax laws.

24.2 Deferred tax assets and deferred tax liabilities

For temporary differences between the carrying amounts of certain assets or liabilities and their tax base, or between the nil carrying amount of those items that are not recognized as assets or liabilities and their tax base that can be determined according to tax laws, deferred tax assets and liabilities are recognized using the balance sheet liability method.

Deferred tax is generally recognized for all temporary differences. Deferred tax assets for deductible temporary differences are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilized. However, for temporary differences associated with the initial recognition of goodwill and the initial recognition of an asset or liability arising from a transaction (not a business combination) that affects neither the accounting profit nor taxable profits (or deductible losses) at the time of transaction, no deferred tax asset or liability is recognized.

For deductible losses and tax credits that can be carried forward, deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the deductible losses and tax credits can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

At the balance sheet date, deferred tax assets and liabilities are measured at the tax rates, according to tax laws, that are expected to apply in the year in which the asset is realized or the liability is settled.

Current and deferred tax expenses or income are recognized in profit or loss, except when they arise from transactions or events that are directly recognized in other comprehensive income or in owners' equity, in which case they are recognized in other comprehensive income or in owners' equity, and when they arise from business combinations, in which case they adjust the carrying amount of goodwill.

At the balance sheet date, the carrying amount of deferred tax assets is reviewed and reduced if it is no longer probable that sufficient taxable profits will be available in the future to allow the benefit of deferred tax assets to be utilized. Any such reduction in amount is reversed when it becomes probable that sufficient taxable profits will be available.

24.3 Tax offset

When the Group has a legal right to settle on a net basis and intends either to settle on a net basis or to realize the assets and settle the liabilities simultaneously, current tax assets and current tax liabilities are offset and presented on a net basis.

When the Group has a legal right to settle current tax assets and liabilities on a net basis, and deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax assets and liabilities on a net basis or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be reversed, deferred tax assets and deferred tax liabilities are offset and presented on a net basis.

25.Translation of transactions and financial statements denominated in foreign currencies

25.1 Transactions denominated in foreign currencies

A foreign currency transaction is recorded, on initial recognition, by applying the spot exchange rate on the date of the transaction.

At the balance sheet date, foreign currency monetary items are translated into RMB using the spot exchange rates at the balance sheet date. Exchange differences arising from the differences between the spot exchange rates prevailing at the balance sheet date and those on initial recognition or at the previous balance sheet date are recognized in profit or loss for the period, except that (1) exchange differences related to a specific-purpose borrowing denominated in foreign currency that qualify for capitalization are capitalized as part of the cost of the qualifying asset during the capitalization period; (2) exchange differences related to hedging instruments for the purpose of hedging against foreign currency risks are accounted for using hedge accounting; (3) exchange differences arising from changes in the carrying amounts (other than the amortized cost) of available-for-sale monetary items are recognized as other comprehensive income.

When the consolidated financial statements include foreign operation(s), if there is foreign currency monetary item constituting a net investment in a foreign operation, exchange difference arising from changes in exchange rates are recognized as "exchange differences arising on translation of financial statements denominated in foreign currencies " in owners' equity, and in profit and loss for the period upon disposal of the foreign operation.

Foreign currency non-monetary items measured at historical cost are translated to the amounts in functional currency at the spot exchange rates on the dates of the transactions and the amounts in functional currency remain unchanged. Foreign currency non-monetary items measured at fair value are re-translated at the spot exchange rate on the date the fair value is determined. Difference between the re-translated functional currency amount and the original functional currency amount is treated as changes in fair value (including changes of exchange rate) and is recognized in profit and loss or as other comprehensive income included in capital reserve.

25.2 Translation of financial statements denominated in foreign currencies

For the purpose of preparing the consolidated financial statements, financial statements of a foreign operation are translated from the foreign currency into RMB using the following method: assets and liabilities on the balance sheet are translated at the spot exchange rate prevailing at the balance sheet date; owners' equity items are translated at the spot exchange rates at the dates on which such items arose; all items in the income statement as well as items reflecting the distribution of profits are translated at [the spot exchange rates on the dates of the transactions / exchange rates that approximate the actual spot exchange rates on the dates of the transactions; The difference between the translated assets and the aggregate of liabilities and owners' equity items is recognized as other comprehensive income and included in owners' equity.

Cash flows arising from a transaction in foreign currency and the cash flows of a foreign subsidiary are translated at the spot exchange rate on the date of the cash flows. The effect of exchange rate changes on cash and cash equivalents is regarded as a reconciling item and presented separately in the cash flow statement as "effect of exchange rate changes on cash and cash equivalents".

The opening balances and the comparative figures of previous year are presented at the translated amounts in the previous year's financial statements.

On disposal of the Group's entire interest in a foreign operation, or upon a loss of control over a foreign operation due to disposal of certain interest in it or other reasons, the Group transfers the accumulated exchange differences arising on translation of financial statements of this foreign operation attributable to the equity of the Company and presented under owners' equity, to profit or loss in the year in which the disposal occurs.

In case of a disposal or other reason that does not result in the Group losing control over a foreign operation, the proportionate share of accumulated exchange differences arising on translation of financial statements are re-attributable to minority interests and are not recognized in profit and loss. For partial disposals of equity interests in foreign operations which are associates or jointly controlled entities, the proportionate share of the accumulated exchange differences arising on translation of financial statements of foreign operations is reclassified to profit or loss.

26.Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

26.1 The Group as lessee under of operating leases

Lease payments under an operating lease are recognized on a straight-line basis over the lease term. Initial direct costs are charged to profit or loss. Contingent rents are charged to profit or loss in the period in which they are actually incurred.

26.2 The Group as lessor under operating leases

Rental income from operating leases is recognized in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs with more than an insignificant amount are capitalized when incurred, and are recognized in profit or loss on the same basis as rental income over the lease term. Other initial direct costs with an insignificant amount are charged to profit or loss in the period in which they are incurred. Contingent rents are charged to profit or loss in the period in which they actually arise.

26.3 Group as lessee under finance leases

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of finiancial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directily attributable to qualifying assets, in which case they are capitalized in accordance with the Group's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

26.4 The Group as lessor under finance leases

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

27.Safety Production Cost

According to the Administrative Rules on Provision and Use of Enterprise Safety Production Cost jointly issued by the Ministry of Finance and the State Administration of Work Safety on 14 February 2012 (filed as Cai Qi [2012] No. 16), safety production cost set aside by the Group is directly included in the cost of relevant products or recognized in profit or loss for the period, as well as the special reserve. When safety production cost set aside is utilized, if the costs incurred can be categorized as expenditure, the costs incurred should be charged against the special reserve. If the costs set aside are used to build up fixed assets, the costs should be charged to construction in progress, and reclassified to fixed assets when the safety projects are ready for intended use. Meantime, expenditures in building up fixed assets are directly charged against the special reserve with the accumulated depreciation recognized at the same amount. Depreciation will not be made in the future period on such fixed assets.