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

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 445)**

## VERY SUBSTANTIAL ACQUISITION SUPPLEMENTAL AGREEMENT IN RELATION TO THE EQUITY TRANSFER AGREEMENT

Reference is made to (i) the announcement of the Company dated 31 July 2018 in relation to, among other things, the acquisition by the Group of 60% of the equity interests in the Target Company which, together with its subsidiaries, is principally engaged in the manufacturing of fire engines and is a leading manufacturer of aerial lifting fire trucks in the PRC; and (ii) the announcement of the Company dated 11 October 2018 in relation to the delay in despatch of circular in relation to the Acquisition.

On 30 November 2018, the Purchaser, the Vendors and the Target Company entered into a supplemental agreement in relation to the Equity Transfer Agreement.

**As completion of the Acquisition is subject to the satisfaction or, if applicable, waiver of the Conditions Precedent, the Acquisition may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the securities of the Company.**

Reference is made to (i) the announcement of CIMC-TianDa Holdings Company Limited (the "**Company**") dated 31 July 2018 in relation to, among other things, the acquisition by the Group of 60% of the equity interests in the Target Company which, together with its subsidiaries, is principally engaged in the manufacturing of fire engines and is a leading manufacturer of aerial lifting fire trucks in the PRC (the "**Announcement**"); and (ii) the announcement of the Company dated 11 October 2018 in relation to the delay in despatch of circular in relation to the Acquisition. Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcement.

On 30 November 2018, the Purchaser, the Vendors and the Target Company (collectively, the "**Parties**") entered into a supplemental agreement in relation to the Equity Transfer Agreement (the "**Supplemental Agreement**").

## THE SUPPLEMENTAL AGREEMENT

The principal terms of the Supplemental Agreement are set out below.

### Date

30 November 2018

### Parties

(1) the Purchaser;

(2) the Vendors; and

(3) the Target Company.

### Subject matter

Pursuant to the Supplemental Agreement, the Parties agreed to amend and supplement certain terms of the Equity Transfer Agreement. The material amendments and supplements to the Equity Transfer Agreement are set out below:

**(1) Ownership of assets**

For the avoidance of doubt, the Purchaser and the Vendors confirmed that, pursuant to the Supplemental Agreement, the existing assets of the Target Group (whether or not such assets are within the reporting scope of the audited consolidated financial statements of the Target Group for the period ended 30 June 2018 to be issued by an audit firm appointed by the Purchaser (the "**Audited Financial Statements**")) belong to the Target Group, and shall remain with the Target Group following Completion.

**(2) Disposal of Assets**

As disclosed in the Announcement, it was intended that the Disposal of Assets will involve disposal to the Vendors at nil consideration of certain obsolete assets of the Target Group which may be subject to impairment, including accounts receivables aged over three years, prepayments aged over one year and raw materials aged over one year, before Completion.

Subsequent to the entering into of the Equity Transfer Agreement, the Purchaser has conducted further review and assessment of the relevant assets of the Target Group by reviewing relevant ledgers, invoices, delivery notes and underlying contracts and conducting physical inspection of the raw materials in determining the scope of the Disposal of Assets. The aforementioned further review and assessment revealed that the relevant raw materials were being, and can be in the future, utilised in the manufacturing of fire trucks and fire-fighting equipment by the Target Group and the relevant prepayments primarily arose as a result of the procurement for supplies of raw materials by the Target Group. Accordingly, the relevant prepayments and raw materials were assessed to be not obsolete. However, certain relatively aged trade receivables and bid bond receivables of the Target Group (inclusive of the accounts receivables (comprising trade receivables and bid bond receivables) aged over three years) were found to be more vulnerable to potential impairment. Accordingly, it was determined that adjustments should be made to the scope of the Disposal of Assets such that the relevant raw materials and prepayments shall be retained by the Target Group, while the relatively aged trade receivables and bid bond receivables shall be disposed of.

In addition, according to the PRC legal advisers to the Company, disposal of assets of the Target Group to the Vendors (as the existing shareholders of the Target Company) under the PRC laws may generally be conducted by way of (i) distribution of dividends; and (ii) corporate division under the Company Law of the PRC. As the aforementioned corporate division involves lengthy procedures including setting up of new PRC company, various public announcements and notice periods, the Parties agreed that the Disposal of Assets shall be conducted by way of distribution of dividends in order to avoid the lengthy procedures.

In light of the foregoing, the Parties agreed that, pursuant to the Supplemental Agreement, the Disposal of Assets shall be conducted by way of distribution of dividend in the form of a distribution in specie of certain designated aged receivables as abovementioned by the Target Company to the Vendors, further details of which are set out as follows:

(i) The Target Company shall, by one month prior to the Completion Date, distribute a dividend (the "**Dividend in Specie**") to the Vendors in the form of a distribution in specie of certain designated receivables (the "**Designated Receivables**") of the Target Group, being relatively aged trade receivables and bid bond receivables of the Target Group as at 30 June 2018 according to the final draft of the Audited Financial Statements as specified in the Supplemental Agreement, in the amount (the "**Distribution Amount**") equivalent to the excess of (a) the net assets of the Target Group as at 30 June 2018 as shown in the final draft of the Audited Financial Statements (after deducting the unaudited profit after tax of the Target Group for the period from 1 June 2018 to 30 June 2018 in the amount of RMB16,269,749.38) over (b) RMB550,000,000.

(ii) Completion of the distribution of the Dividend in Specie shall be deemed as completion of the Disposal of Assets, being a Condition Precedent to Completion.

(iii) The Vendors authorise the Target Group to collect the Designated Receivables from the relevant parties for and on behalf of the Vendors, and the Target Group shall pay to the Vendors, the balance of (a) the amount of Designated Receivables collected (the "**Collected Amount**"), after deducting (b) the entire sum of personal income tax payable by the Vendors for the Dividend in Specie (the "**Personal Income Tax**") to be paid by the Target Group for and on behalf of the Vendors.

(iv) In the event that the Designated Receivables cannot be recovered for any reason (the "**Irrecoverable Amount**"), the Vendors (a) shall be solely liable for all losses suffered in respect of the Irrecoverable Amount; and (b) shall not have any right to recover any of the Irrecoverable Amount from the Purchaser, the Target Company and/or the Target Group.

(v) The Vendors (a) shall be liable for all the Personal Income Tax; and (b) shall not have any right to recover any of the Personal Income Tax deducted from the Collected Amount and paid by the Target Group for and on behalf of the Vendors (including any refund or deduction, if any, of the Personal Income Tax in respect of the Irrecoverable Amount) from the Purchaser, the Target Company and/or the Target Group.

(vi) Following the distribution of the Dividend in Specie by the Target Company, in the event that the net assets of the Target Group as shown in the consolidated management accounts of the Target Group for the period from 1 July 2018 to the last day of the month immediately preceding the Completion Date is less than RMB550,000,000, and should the Purchaser agree to waive the Condition Precedent that the net assets of the Target Group as shown in the relevant financial statements being not less than RMB550,000,000 and proceed with Completion, the Vendors shall compensate the Purchaser with financial compensation in the amount of the shortfall, and such financial compensation shall be deducted directly from the Second Instalment and the Remaining Balance payable by the Purchaser. If the aforementioned shortfall exceeds the sum of the Second Instalment and the Remaining Balance, the Vendors shall immediately pay the Target Company an amount equivalent to the aforementioned shortfall in cash.

(vii) In the event that the Target Group is short of working capital, the Target Group may, with the consent of the Vendors, use all or part of the Collected Amount as its working capital, subject to the payment of an interest to the Vendors at the benchmark lending rate (within one year (including one year)) published by the People's Bank of China on the day of utilisation of the relevant amount as working capital by the Target Group.

The Designated Receivables comprise relatively aged trade receivables and bid bond receivables and arose from the ordinary and usual course of business of the Target Group with the relevant debtors being customers of the Target Group, including PRC local governments and fire departments as well as private corporations. The trade receivables generally arose from sales of the fire trucks and fire-fighting equipment of the Target Group to its customers, while the bid bond receivables generally arose as a result of participation of the Target Group in the bidding process for supply of fire trucks and fire-fighting equipment.

The relatively long aging of the Designated Receivables is attributable to (i) the lack of efficient management of receivables of the Target Group as a result of (a) inadequate internal reporting and communication between the finance department and the sales and marketing department; and (b) the absence of dedicated personnel for receivable recovery; (ii) the delayed settlement by certain PRC local government customers in light of their temporary financial difficulties; and (iii) the delayed settlement by the PRC fire departments as a result of the prolonged approval procedures due to the change in their governing ministry from the Ministry of Public Security of the PRC to the newly established Ministry of Emergency Management of the PRC in March 2018. The Company will take steps to enhance the receivable management system of the Target Group following Completion.

Based on the consolidated management financial statements of the Target Group as at 30 June 2018 and the final draft of the Audited Financial Statements, as at 30 June 2018, the Designated Receivables amounted to approximately RMB154,919,802.79 and comprise (i) the trade receivables aged from 181 days to over three years of RMB141,295,946.55; and (ii) the bid bond receivables aged from two years to over three years of RMB13,623,856.24. The Distribution Amount of approximately RMB154,919,802.79 represents the excess of (i) the net assets of the Target Group as at 30 June 2018 as shown in the final draft of the Audited Financial Statements (after deducting the unaudited profit after tax of the Target Group for the period from 1 June 2018 to 30 June 2018 to which the Purchaser and the Vendors are entitled in the proportion of 60% and 40%, respectively) over (ii) RMB550,000,000, being the agreed threshold of the net assets of the Target Group as a Condition Precedent under the Equity Transfer Agreement. According to the final draft of the Audited Financial Statements, the net assets of the Target Group as at 30 June 2018 was approximately RMB721,189,552.17, following distribution of the Dividend in Specie, being the Designated Receivables in the amount of approximately RMB154,919,802.79, it is expected that the net assets of the Target Group (excluding the unaudited profit after tax of the Target Group for the period from 1 June 2018 to 30 June 2018 in the amount of RMB16,269,749.38) will amount to approximately RMB550,000,000.

By distributing the Designated Receivables in the form of Dividend in Specie to the Vendors before Completion, the new mode of conduct of the Disposal of Assets would exclude the Designated Receivables from the Acquisition and avoid any adverse impact of potential impairment of the Designated Receivables, being the relatively aged trade receivables and bid bond receivables of the Target Group, on the financial performance of the Enlarged Group following Completion.

**(3) Dividend distribution**

Pursuant to the Equity Transfer Agreement, the Purchaser undertakes that, among other things, commencing from the year of 2020, subject to the compliance with all relevant laws and regulations, the annual dividend payout ratio of the Target Company shall be not less than 30% of the audited net profit of the Target Company for the year, failing which the Vendors shall be entitled to request that their entitlement to the dividends be calculated based on an annual dividend payout ratio of 30% of the audited net profit of the Target Company for the year and the then percentage of equity interests held by the Vendors in the Target Company.

In order to provide the Target Company with flexibility in determining the amount of net profit to be retained for its operational needs and future development, the Purchaser and the Vendors agreed that, pursuant to the Supplemental Agreement, commencing from the year of 2020, subject to the compliance with all relevant laws and regulations, the amount of dividends to be declared by the Target Company shall be determined by the Purchaser and the Vendors by negotiation based on the actual business conditions of the Target Group.

**(4) Shenyang Finance Bureau Debt**

Pursuant to the Equity Transfer Agreement, the Vendors undertake to be solely liable for a debt owed by the Target Company to the Shenyang Finance Bureau (the "**Shenyang Finance Bureau Debt**"), which resulted from the repayment by the Shenyang Finance Bureau of a loan owed by the Target Company to the World Bank Group, as well as all interest and default interest (if any) thereunder. In light of the recent development that the Shenyang Finance Bureau may provide a relief for the Shenyang Finance Bureau Debt in the principal amount of RMB5,877,652.77, the Parties agreed that, pursuant to the Supplemental Agreement:

(i) in the event that the Target Company receives the unconditional and irrevocable notice of relief in respect of the Shenyang Finance Bureau Debt from the Shenyang Finance Bureau, the amount relieved (the "**Relieved Amount**") shall, after deducting the corporate income tax, other taxes and surcharges payable by the Target Company and subject to any specific use of the Relieved Amount designated by the Shenyang Finance Bureau as described in paragraph (ii) below, be paid to the Vendors; and

(ii) in the event that the Shenyang Finance Bureau designates any specific use of the Relieved Amount, the Target Company (a) shall act in accordance with the instructions of the Shenyang Finance Bureau; and (b) shall not be required to pay the Relieved Amount to the Vendors.

According to the final draft of the Audited Financial Statements, the Shenyang Finance Bureau Debt in the principal amount of RMB5,877,652.77 was accounted as liabilities of the Target Group. In the event of a relief provided by the Shenyang Finance Bureau without any designated specific use of the Relieved Amount, there will be a decrease in the liabilities of the Target Group as well as a corresponding decrease in the assets of the Target Group as a result of the payment of the Relieved Amount (after deducting relevant taxes) to the Vendors as described in paragraph (i) above. As such, it is expected that the abovementioned arrangement for the Shenyang Finance Bureau Debt shall have minimal impact on the financial position and the net assets of the Target Group.

Save as disclosed in this announcement, all other material terms of the Equity Transfer Agreement shall remain unchanged and in full force and effect.

## REASONS FOR AND BENEFITS OF ENTERING INTO THE SUPPLEMENTAL AGREEMENT

Subsequent to the entering into of the Equity Transfer Agreement, the Parties have been taking active steps in handling various matters pursuant to the Equity Transfer Agreement. As set out in the sub-section headed "(2) Disposal of Assets" above, after conducting further review and assessment of the relevant assets of the Target Group and in light of the lengthy procedures for corporate division under the Company Law of the PRC, it was determined that certain adjustments should be made to the scope as well as the mode of conduct of the Disposal of Assets.

Accordingly, the Parties agreed to enter into the Supplemental Agreement to amend and supplement the Equity Transfer Agreement for the purpose of, among other things, the abovementioned adjustments with a view to expediting the Completion and realisation of the benefits of the Acquisition. The terms of the Supplemental Agreement were determined after arm's length negotiations between the Parties taking into account the aforementioned adjustments as well as the recent development of the Target Group.

In light of the above, the Directors (including the independent non-executive Directors) consider that the terms of the Supplemental Agreement and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## GENERAL

**As completion of the Acquisition is subject to the satisfaction or, if applicable, waiver of the Conditions Precedent, the Acquisition may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the securities of the Company.**

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

Hong Kong, 30 November 2018

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

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