CIMC | TianDa

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

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 445)

ANNOUNCEMENT OF VERY SUBSTANTIAL ACQUISITION IN RELATION TO ACQUISITION OF 100% EQUITY INTEREST IN SHANGHAI JINDUN SPECIAL VEHICLE EQUIPMENT CO., LTD. INVOLVING ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANADTE

THE EQUITY TRANSFER AGREEMENT

The Board is pleased to announce that on 19 October 2018 (after trading hours), the Purchaser, an indirect wholly-owned subsidiary of the Company, the Vendor, the Company, the Target Company and Zhou Xiangyi entered into the Equity Transfer Agreement, pursuant to which the Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell, the Sale Interest, at the Consideration of RMB381,800,000 (subject to deductions), pursuant to the terms and conditions of the Equity Transfer Agreement.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios calculated in accordance with the Listing Rules in respect of the Acquisition exceed 100%, the Acquisition constitutes a very substantial acquisition of the Company which is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

GENERAL

The EGM will be convened and held for the Shareholders to consider and, if thought fit, approve the Equity Transfer Agreement and the transactions contemplated thereunder, and the issue of the First Batch Consideration Shares and the Second Batch Consideration Shares pursuant to the terms and conditions of the Equity Transfer Agreement.

The Circular containing, among other things, (i) further information on the Equity Transfer Agreement and the transactions contemplated thereunder; (ii) the financial and other information on the Group; (iii) the financial and other information on the Target Group; (iv) the unaudited pro forma financial information of the Enlarged Group upon Completion; and (v) the notice of the EGM, is expected to be despatched to the Shareholders on or before 31 January 2019, which is more than 15 business days after the publication of this announcement as more time will be needed for the preparation of certain information to be included in the Circular.

WARNING

As Completion 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.

The Board is pleased to announce that, on 19 October 2018 (after trading hours), the Purchaser, an indirect wholly-owned subsidiary of the Company, the Vendor, the Company, the Target Company and Zhou Xiangyi entered into the Equity Transfer Agreement, pursuant to which the Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell, the Sale Interest, at the Consideration of RMB381,800,000 (subject to deductions), subject to the terms and conditions of the Equity Transfer Agreement.

THE EQUITY TRANSFER AGREEMENT

The principal terms of the Equity Transfer Agreement are set out below.

Date

19 October 2018

Parties

1. the Purchaser;
2. the Vendor;
3. the Company;
4. the Target Company; and
5. Zhou Xiangyi.

(Each a "**Party**" and collectively the "**Parties**")

Subject matter

Pursuant to the Equity Transfer Agreement, the Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell, the Sale Interest, representing 100% of the equity interest in the Target Company, subject to the terms and conditions of the Equity Transfer Agreement.

The Parties agree that the registered capital of the Target Company shall remain at RMB83,330,000 upon Completion.

Consideration

Pursuant to the Equity Transfer Agreement, the Consideration for the Acquisition is RMB381,800,000 (subject to deductions) with reference to the Average Guaranteed Net Profit and a price to earnings ratio ("**P/E Ratio**") of approximately 10 times. The Consideration shall be payable by the Purchaser to the Vendor in the following manner:

(i) the Prepayment, being the amount of RMB114,540,000 or 30% of the Consideration, shall be payable within 15 Business Days after the execution of the Equity Transfer Agreement. The Vendor undertakes to, prior to Completion, apply the Prepayment to (a) the repayment of a bank loan granted to the Vendor by the Qingpu sub-branch of the Shanghai Pudong Development Bank for the purpose of acquiring 25% equity interest in the Target Company by the Vendor from the non-controlling shareholder in May 2017; and (b) the release of the Share Charge created as the security for such bank loan. The Prepayment shall be refunded by the Vendor to the Purchaser within 10 Business Days upon written notice of the Purchaser issued within 30 Business Days from the termination of the Equity Transfer Agreement if the Equity Transfer Agreement is not completed due to the non-fulfilment of any of the conditions precedent set out in the Equity Transfer Agreement (including but not limited to the failure of the Vendor to release the Share Charge prior to Completion);

(ii) subject to deductions in accordance with the mechanism set out in the section headed "The Equity Transfer Agreement – Performance guarantee, Financial Compensation and cash compensation" below, the First Instalment, being the amount of RMB114,540,000 (subject to deductions) or 30% of the Consideration, shall be payable upon the satisfaction of the conditions precedent and within 15 Business Days after completion of the change of industry and commerce registration in respect of the Sale Interest. Once the First Instalment is fully settled by the Purchaser, the amount of the Prepayment shall automatically form part of the Consideration (but not part of the First Instalment) and the Purchaser shall be deemed to have settled 60% of the Consideration (subject to the Financial Compensation as set out in the section headed "The Equity Transfer Agreement – Performance guarantee, Financial Compensation and cash compensation" below);

(iii) subject to deductions in accordance with the mechanism set out in the section headed "The Equity Transfer Agreement – Performance guarantee, Financial Compensation and cash compensation" below, the Second Instalment, being the amount of RMB76,360,000 (subject to deductions) or 20% of the Consideration, shall be payable by the Purchaser by the issue of the First Batch Consideration Shares within 30 Business Days upon the completion of the change of industry and commerce registration in respect of the Sale Interest. If the First Batch Consideration Shares are not issued due to the requirements of regulatory authorities or other legal or regulatory restrictions, subject to the consent of the Vendor, the Purchaser or other third parties designated by the Purchaser shall pay the Second Instalment in cash to the Vendor; and

(iv) subject to deductions in accordance with the mechanism set out in the section headed "The Equity Transfer Agreement – Performance guarantee, Financial Compensation and cash compensation" below, the Remaining Balance, being the amount of RMB76,360,000 (subject to deductions) or 20% of the Consideration, shall be payable by the Purchaser by the issue of the Second Batch Consideration Shares within 30 Business Days upon the issue of the 2018 Audit Report. If the Second Batch Consideration Shares are not issued due to the requirements of regulatory authorities or other legal or regulatory restrictions, subject to the consent of the Vendor, the Purchaser or other third parties designated by the Purchaser shall pay the Remaining Balance in cash to the Vendor.

The Vendor undertakes to charge the Second Batch Consideration Shares in favour of the Purchaser or any affiliate designated by the Purchaser (the "**Second Batch Consideration Shares Charge**") within seven Business Days after the payment of the Remaining Balance as the security for the Vendor's guarantee on the financial performance of the Target Company for the year ending 31 December 2019 as set out in the section headed "The Equity Transfer Agreement – Performance guarantee, Financial Compensation and cash compensation" below.

If the 2019 Guaranteed Profit is achieved, the Purchaser shall release the Second Batch Consideration Shares Charge within 30 Business Days after the 2019 Audit Report is issued. If the 2019 Guaranteed Profit is not achieved, the Purchaser shall release the Second Batch Consideration Shares Charge within 30 Business Days after the Vendor has complied with its obligations to make the Financial Compensation and if required, any cash compensation to the Purchaser as set out in the section headed "The Equity Transfer Agreement – Performance guarantee, Financial Compensation and cash compensation".

Basis of determining the Issue Price and the number of the Consideration Shares

According to the Equity Transfer Agreement, the Issue Price shall represent the average VWAP of the Shares for the 120 trading days preceding the signing date of the Equity Transfer Agreement, subject to a 5% discount if the aforementioned average VWAP is higher than the closing price of the Shares on the signing date of the Equity Transfer Agreement (or the trading day immediately preceding the signing date of the Equity Transfer Agreement if the latter is not a trading day, as applicable), based on the central parity rate published by The People's Bank of China for the conversion of RMB to HK$ on the date before the signing date of the Equity Transfer Agreement. Accordingly, the Issue Price is HK$0.3133 which represents:

(i) a premium of 20.5% to the closing price of HK$0.26 per Share as quoted on the Stock Exchange on the date of the Equity Transfer Agreement; and

(ii) a premium of approximately 21.9% to the average of the closing price of HK$0.257 per Share as quoted on the Stock Exchange for the 5 trading days immediately prior to the date of the Equity Transfer Agreement.

Assuming no deductions will be made to the Consideration, the Consideration Shares represent approximately 3.8% of the existing issued share capital of the Company as at the date of this announcement and approximately 3.7% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares. The Consideration Shares will be issued under the Specific Mandate. The Consideration Shares shall rank pari passu in all respects among themselves and with the existing issued Shares on the date of allotment. Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

The following table sets out the shareholding structure of the Company before and after the issue of the Consideration Shares (assuming that there is no other change in the shareholding structure of the Company):

	Immediately before the issue of the Consideration Shares		**Immediately after the issue of the Consideration Shares**	
	Number of issued Shares	**Approximate shareholding ratio**	**Number of issued Shares**	**Approximate shareholding ratio**
Non-public shareholders				
CIMC Top Gear B.V.	1,223,571,430	8.5%	1,223,571,430	8.1%
Sharp Vision Holdings Limited	6,164,472,279	42.6%	6,164,472,279	41.0%
Fengqiang Holdings Limited	2,290,956,291	15.8%	2,290,956,291	15.3%
Jiang Xiong	981,600,000	6.8%	981,600,000	6.5%
Sub-total	*10,660,600,000*	*73.7%*	*10,660,600,000*	*70.9%*
Public Shareholders				
Vendor	–	–	551,564,448	3.7%
Other Public Shareholders	3,811,304,470	26.3%	3,811,304,470	25.4%
Sub-total	*3,811,304,470*	*26.3%*	*4,362,868,918*	*29.1%*
	14,471,904,470	**100%**	**15,023,468,918**	**100%**

Performance guarantee, Financial Compensation and cash compensation

Pursuant to the Equity Transfer Agreement, the Vendor warrants to the Purchaser that the Target Group shall achieve the following financial performance:

(i) the 2016 Guaranteed Net Profit shall be no less than RMB34,329,000;

(ii) the 2017 Guaranteed Net Profit shall be no less than RMB34,496,500;

(iii) the 2018 Guaranteed Net Profit shall be no less than RMB45,710,000;

(iv) the 2019 Guaranteed Net Profit shall be no less than RMB45,710,000; and

(v) the 2018 and 2019 Guaranteed Revenue shall be no less than RMB700,000,000.

The Vendor shall make financial compensation to the Purchaser (the "**Financial Compensation**") in the following circumstances:

(i) In the event that any of the 2016 Guaranteed Net Profit, the 2017 Guaranteed Net Profit or the 2018 Guaranteed Net Profit is not achieved:

(a) if the Net Profit Shortfall Ratio is equal to or below 15%, the Vendor shall compensate the Purchaser with a Financial Compensation in cash which is equivalent to 3 times of the amount of the Net Profit Shortfall;

(b) if the Net Profit Shortfall Ratio is above 15% but below 25%, the Vendor shall compensate the Purchaser with a Financial Compensation in cash which is equivalent to 3.5 times of the amount of the Net Profit Shortfall; and

(c) if the Net Profit Shortfall Ratio is equal to or above 25%, the Vendor shall compensate the Purchaser with a Financial Compensation in cash which is equivalent to 5.5 times of the amount of the Net Profit Shortfall.

(ii) In the event that the 2019 Guaranteed Net Profit is not achieved, the Vendor shall compensate the Purchaser with a Financial Compensation in cash which is equivalent to 2 times of the amount of the Net Profit Shortfall.

(iii) In the event that 2018 and 2019 Guaranteed Revenue is less than RMB700,000,000, the Vendor shall compensate the Purchaser with a Financial Compensation in cash which is equivalent to 10% of the shortfall between (a) the actual aggregate audited consolidated revenue achieved by the Target Group for the 2 years ending 31 December 2019 as per the 2018 Audit Report and the 2019 Audit Report respectively and (b) the 2018 and 2019 Guaranteed Revenue.

(iv) The abovementioned Financial Compensation in respect of the 2016 Guaranteed Net Profit, the 2017 Guaranteed Net Profit and the 2018 Guaranteed Net Profit shall be deducted directly from the First Instalment, the Second Instalment and/or Remaining Balance, as applicable, payable by the Purchaser to the Vendor. In the event that the First Instalment, the Second Instalment and/or Remaining Balance is insufficient for the deduction of the Financial Compensation, the Vendor shall pay the amount representing the excess of the Financial Compensation over the First Instalment, the Second Instalment and/or the Remaining Balance to the Purchaser in cash.

(v) The Purchaser shall issue a notice to the Vendor regarding the amount of Financial Compensation and if required, the amount of cash compensation payable by the Vendor to the Purchaser (the "**Compensation Notice**") within 5 Business Days after the issue of each of the 2016 Audit Report, the 2017 Audit Report, the 2018 Audit Report and the 2019 Audit Report. Any deduction of Financial Compensation from the First Instalment, the Second Instalment and/or Remaining Balance, as applicable, shall be made within 10 Business Days after the issue of the Compensation Notice. Any cash compensation payable by the Vendor to the Purchaser, shall be paid within 10 Business Days after the issue of the Compensation Notice.

Basis of determining the Consideration

The Consideration of RMB381,800,000 was determined after arm's length negotiations between the Group and the Vendor on normal commercial terms and based on (i) the Average Guaranteed Net Profit and a P/E Ratio of approximately 10 times which was determined with reference to the P/E Ratios of approximately 12 times to 33 times and an average P/E Ratio of approximately 25 times of a number of comparable companies listed in the PRC and other stock exchanges after considering, amongst others, their sizes, business activities and financial positions; (ii) the business development and prospects of the Target Group; (iii) the performance guarantee and Financial Compensation disclosed above; and (iv) the benefits of the Acquisition as set out in the section headed "Reasons for and benefits of the Acquisition" below.

The Consideration represents a premium of approximately 2.22 times over the audited net asset value of the Target Group of approximately RMB118,376,000 as at 31 December 2017. In determining the Consideration, the Group has primarily taken into account the long-term profitablilty and development capability of the Target Group and its ability to fit into the Group's development strategy. The composition and value of the net assets of the Target Group were taken only as a measurement of its scale of operation and short-term financial stability.

The Consideration will be financed by the internal resources of the Group and external financing.

Reasons for using the Average Guaranteed Net Profit in determining the Consideration

The Average Guaranteed Net Profit is the average of the 2016 Guaranteed Net Profit, the 2017 Guaranteed Net Profit and the 2018 Guaranteed Net Profit.

The Group considers that the Average Guaranteed Net Profit, instead of the net profit for a single financial year, is a more appropriate measure for determining the Consideration since the Average Guaranteed Net Profit would average out the effect of factors that may have on a particular financial year and give a clearer indication of the financial strength of the Target Group.

According to the Equity Transfer Agreement, the 2016 Guaranteed Net Profit and the 2017 Guaranteed Net Profit are the profits after taxation as per the 2016 Local Audit Report and the 2017 Local Audit Report respectively, and the validity and reasonableness of which will have to be substantiated by the 2016 Audit Report and the 2017 Audit Report, respectively, to be prepared by an independent auditor engaged by the Group. Any shortfall in the profit after taxation between 2016 Local Audit Report and the 2016 Audit Report and between the 2017 Local Audit Report and the 2017 Audit Report will be compensated by the Vendor in accordance with the mechanism detailed in the section headed "The Equity Transfer Agreement – Performance guarantee, Financial Compensation and cash compensation" above.

As regards the 2018 Guaranteed Net Profit, after commercial negotiations with the Vendor, the Company has agreed to include the 2018 Guaranteed Net Profit in calculating the Consideration having regard to the P/E Ratio of approximately 10 times which represented a significant discount to the average P/E Ratio of approximately 25 times of the comparable companies. In addition, while the inclusion of the 2018 Guaranteed Net Profit has raised the Average Guaranteed Net Profit and hence the Consideration, the Group will be financially compensated by the Financial Compensation should the Target Group fail to achieve the 2018 Guaranteed Net Profit. The Remaining Balance will be deducted by the Financial Compensation and in the event that the Remaining Balance is insufficient for the deduction, the Vendor shall pay cash compensation representing the excess of the Financial Compensation over the Remaining Balance to the Purchaser. The Company therefore considers that the mechanism in determining the Average Net Profit and its connection with the Financial Compensation ensure that the Group's financial interest is not jeopardised on one hand and the commercial benefits of the Acquisition to the Parties are taken into account on the other hand.

Basis of determining the 2018 Guaranteed Net Profit, the 2019 Guaranteed Net Profit and the 2018 and 2019 Guaranteed Revenue

The 2018 Guaranteed Net Profit, the 2019 Guaranteed Net Profit and the 2018 and 2019 Guaranteed Revenue were determined after arm's length negotiations between the Group and the Vendor with reference to the historical financial performance, business prospectus and the order book of the Target Group.

The business of the Target Group (and the fire engines industry in general) is seasonal in nature with a lower level of sales around the Lunar Chinese New Year holidays and during the summer holidays. Invitiations to tenders for fire engines and related products are normally sent by potential customers and orders placed by them in the first half of a year, and taking into consideration the production schedule, the last quarter of a year is usually the peak sale season of the Target Group. Having regard to the status of the orders book of the Target Company as at 31 August 2018, barring any unforeseen circumstances, the Group is of the view that the 2018 Guaranteed Net Profit is achievable. In any circumstances, the consideration deduction mechanism under the Equity Transfer Agreement will effectively reduce the Consideration in the event of any shortfall in the 2018 Guaranteed Profit. It also provides extra protection to the Group against the risk of the Target Group not sustaining its business growth and financial performance.

Basis of determining the Financial Compensation and the relationship of the Financial Compensation with the Average Guaranteed Net Profit and the Consideration

In determining the multiples of (i) 3 times of the Net Profit Shortfall if the Net Profit Shortfall Ratio is equal to or below 15%; (ii) 3.5 times of the Net Profit Shortfall if the Net Profit Shortfall Ratio is above 15% but below 25%; and (iii) 5.5 times of the Net Profit Shortfall if the Net Profit Shortfall Ratio is equal to or above 25% in respect of the 3 years ending 31 December 2018, the Parties have taken into account the fact that the Consideration is calculated by multiplying a P/E Ratio of approximately 10 times with the Average Guaranteed Net Profit. On this basis, the Company is of the view that it is fair and reasonable to determine the total Financial Compensation by applying a multiplier of 3 times to 5.5 times to the Net Profit Shortfall for each of these 3 years ending 31 December 2018 for the purpose of calculating the Financial Compensation.

In determining the multiplies of approximately 3 times to 5.5 times above and the mechanism of the Financial Compensation, the Company has also taken into account:

(i) the structure of the Consideration involving payments by instlaments (subject to deduction of the amount of the Financial Compensation, if any, at each stage) with regard to the intended purposes of each of the Vendor and the Purchaser; and

(ii) the additional safeguards given to the Group by virtue of (a) the multiple of 2 times of the amount of the Net Profit Shortfall in respect of the 2019 Guaranteed Net Profit, as further elaborated below; (b) the Financial Compensation representing 10% of the shortfall in the 2018 and 2019 Guaranteed Revenue, as further elaborated below; and (c) the fact that if the Net Profit Shortfall Ratio is equal to or above 25%, the considerably higher multiple of 5.5 times of the Net Profit Shortfall used to determine the Financial Compensation for **each** of the 3 years ending 31 December 2018, which the Company considers will serve to maximise the protection afforded to the Group.

The multiple of 2 times of the amount of the Net Profit Shortfall in respect of the 2019 Guaranteed Net Profit and the cash compensation representing 10% of the shortfall in the 2018 and 2019 Guaranteed Revenue, which are comparatively lower than the aforementioned multiples in respect of the Financial Compensation for each of the 3 years ending 31 December 2018, are determined after arm's length negotiations amongst the Parties taking into account (i) the fact that the 2019 Guaranteed Net Profit and the 2018 and 2019 Guaranteed Revenue are not used in determining the Average Guaranteed Net Profit and hence the P/E Ratio of 10 times used in calculating the Consideration; and (ii) the closer involvment of the Group in the management of the Target Group commencing 2019 after Completion and the retention of Zhou Xiangyi to lead the management of Target Group to ensure that the Target Group will achieve steady growth in revenue and profitability in 2019.

In light of the above, the Board is of the view that the bases in determining the Consideration and the multipliers used in calculating the Financial Compensation are fair and reasonable and in the interest of the Company and its Shareholders as a whole.

The 2016 Local Audit Report, the 2017 Local Audit Report, the 2016 Audit Report, the 2017 Audit Report, the 2018 Audit Report and the 2019 Audit Report

The 2016 Guaranteed Net Profit represents the net profit after taxation of approximately RMB34,329,000 of the Target Company as per the 2016 Local Audit Report whilst the 2017 Guaranteed Net Profit represents the net profit after taxation of approximately RMB34,496,500 of the Target Company as per the 2017 Local Audit Report.

The 2016 Guaranteed Net Profit and the 2017 Guaranteed Net Profit, which form part of the performance guarantee, ensure that the Group is financially compensated for any shortfall in the net profit of the Target Group between each of (i) the 2016 Local Audit Report and the 2016 Audit Report and (ii) the 2017 Local Audit Report and the 2017 Audit Report respectively.

As at the date of this announcement, the 2016 Local Audit Report and the 2017 Local Audit Report have been made available to the Purchaser. According to the Equity Transfer Agreement, the 2016 Audit Report and the 2017 Audit Report shall be issued prior to the despatch of the Circular and the 2018 Audit Report and the 2019 Audit Report shall be issued on or before, respectively, 31 March 2019 and 31 March 2020, or such other dates agreed amongst the Parties in writing.

Since the 2016 Audit Report and the 2017 Audit Report shall be prepared by the Company for the purposes of ascertaining the 2016 Guaranteed Net Profit and the 2017 Guaranteed Net Profit respectively and preparing the Circular pursuant to the applicable requirements of the Listing Rules, relevant information as to, amongst other things, whether the 2016 Guaranteed Net Profit and the 2017 Guaranteed Net Profit are achieved by the Target Group and accordingly any deductions to be made to the First Instalment and the Second Instalment will be included in the Circular.

The 2016 Guaranteed Net Profit, the 2017 Guaranteed Net Profit, the 2018 Guaranteed Net Profit, the 2019 Guaranteed Net Profit, the Average Guaranteed Net Profit and the 2018 and 2019 Guaranteed Revenue do not represent the anticipated level of future profit and revenue of the Target Group and do not constitute a profit forecast under Rule 14.61 of the Listing Rules.

Conditions precedent

Completion shall be subject to the satisfaction of the following conditions:

(i) the Parties having agreed and formally signed the Equity Transfer Agreement, including the annexures attached thereof;

(ii) the Target Company and the Vendor having in written form, fully, truthfully and completely disclosed the assets, liabilities, capital, guarantees and all information relating to the Equity Transfer Agreement to the Company during the due diligence review arranged by the Purchaser and that no material defects in the assets of the Target Company have been identified. As of the date of signing of the Equity Transfer Agreement, the Target Company and its subsidiaries, as continuously operating entities have not conducted and cannot conduct any acts that substantially violate any laws or regulations;

(iii) the Purchaser having completed and approved all the business, financial and legal due diligence conducted against the Target Company and being satisfied with the results of the due diligence review;

(iv) the Target Company having acquired all the relevant internal and shareholders' consents and approvals, including but not limited to the directors' and shareholder's resolutions approving the equity transfer in accordance with the Equity Transfer Agreement and the signing of the amended articles of association by its shareholders;

(v) the Purchaser and the Company having completed all internal approval procedures related to the Acquisition (including but not limited to the approval from the shareholders and/or the board of directors);

(vi) the Target Company having obtained the approvals from the relevant government departments (including but not limited to the approval from the business management department (if required)) and the Purchaser having obtained the necessary approvals (if applicable) from the PRC government;

(vii) the Key Management and Core Personnel as referred to in the List having signed relevant employment, confidentiality, non-competition and intellectual property right agreements etc. with the Target Company and the contents of the agreements having been approved by the Purchaser;

(viii) the Vendor having completed the procedures to release the Share Charge in relation to 25% of the Sale Interest with the industry and commerce registration department of PRC within 45 Business Days after the Purchaser having paid the Prepayment in accordance with the Equity Transfer Agreement;

(ix) the Purchaser and the Vendor having signed the Equity Transfer Agreement and all other necessary documents (including but not limited to the Equity Transfer Agreement and the amended articles of association of the Target Company), and the Purchaser having obtained the relevant documents for the appointment of directors, supervisors and senior managements of the Target Company as nominated by the Purchaser, and having completed the industrial and commercial registration of the Acquisition; and

(x) there is no material adverse change in the period between signing of the Equity Transfer Agreement and the completion of the change of industry and commerce registration of the Acquisition in accordance with the Equity Transfer Agreement.

All of the above conditions precedent, except condition (v), can be waived by the Purchaser.

Completion

Completion will take place on the date of the completion of the relevant industry and commerce registration for the change of shareholder of the Target Company from the Vendor to the Purchaser with the relevant business registration authority in the PRC and after the above conditions precedent are satisfied or waived.

Dividend distribution

Pursuant to the Equity Transfer Agreement, the Vendor is entitled to distribution of dividends of not more than RMB10,000,000 out of the audited accumulated undistributed profits of the Target Group prior to Completion. The Purchaser shall have full entitlements to the remaining undistributed profits of the Target Group after Completion.

Performance bonus for the management team of the Target Company

If the net profit of the Target Group for the year ending 31 December 2019 exceeds RMB45,710,000, the Purchaser and the Target Company will distribute 30% of the excess amount to the management team of the Target Company.

Vendor's liability for breach of contract

Where the Vendor breaches any representations or warranties, or fails to perform any obligations pursuant to the Equity Transfer Agreement, the Purchaser shall be entitled to the following rights:

(i) the right to notify the Vendor in writing to terminate the Equity Transfer Agreement, which shall be automatically terminated from the date of delivery of such notification to the Vendor. Where the Purchaser terminates the Equity Transfer Agreement, the Purchaser has the right to request the Vendor to return the Consideration paid together with a liquidated damage of 10% of the total Consideration. Where the liquidated damage is insufficient to cover the actual losses suffered by the Purchaser due to the termination of the Equity Transfer Agreement, the Vendor shall also compensate the Purchaser for the remaining part of such losses; or

(ii) the right to notify the Vendor to rectify the breach within 30 Business Days (or any other period mutually agreed by the Vendor and the Purchaser) and to pay the Purchaser a liquidated damage of 5% of the total Consideration. Where the liquidated damage is insufficient to compensate the actual losses suffered by the Purchaser, the Vendor shall also compensate the Purchaser for the remaining part of such losses. The Purchaser shall also be entitled to reduce or suspend the payment of the unpaid Consideration, if any, until the Vendor has rectified the breach.

Purchaser's liability for breach of contract

Where the Purchaser breaches any representations or warranties, or fails to perform any obligations pursuant to the Equity Transfer Agreement, the Vendor shall be entitled to the following rights:

(i) the right to notify the Purchaser in writing to terminate the Equity Transfer Agreement, which shall be automatically terminated from the date of delivery of such notification to the Purchaser. Where the Vendor terminates the Equity Transfer Agreement, the Vendor has the right to request the Purchaser to pay a liquidated damage of 10% of the total Consideration. Where the liquidated damage is insufficient to cover the actual losses suffered by the Vendor due to the termination of the Equity Transfer Agreement, the Purchaser shall also compensate the Vendor for the remaining part of such losses; or

(ii) the right to notify the Purchaser to rectify the breach within 30 Business Days (or any other period mutually agreed by the Vendor and the Purchaser) and to pay the Vendor a liquidated damage of 5% of the total Consideration. Where the liquidated damage is insufficient to compensate the actual losses suffered by the Vendor, the Purchaser shall also compensate the Vendor for the remaining part of such losses. The Vendor shall also be entitled to suspend the completion of the Acquisition until the Purchaser has rectified the breach.

INFORMATION ON THE TARGET GROUP

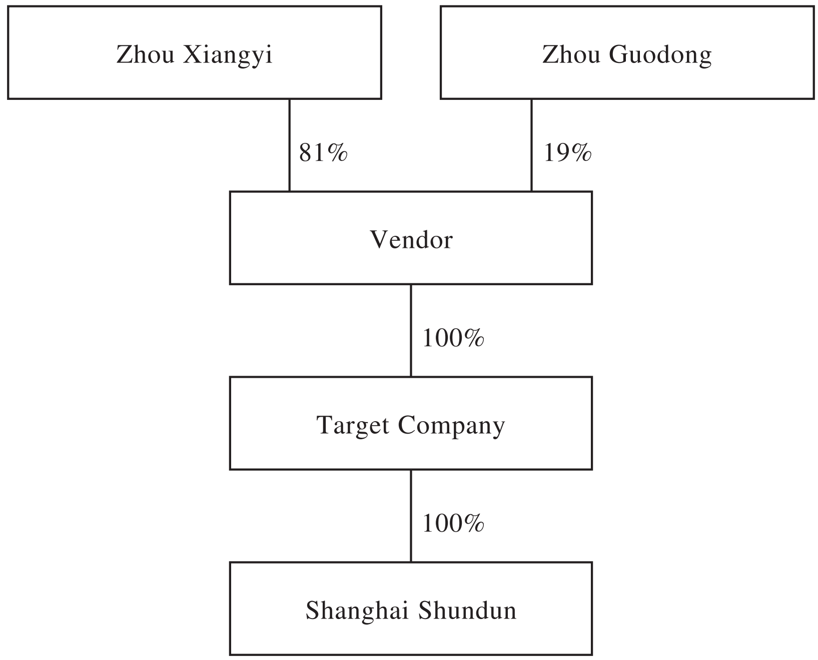
As at the date of this announcement, the Target Group comprises the Target Company and Shanghai Shundun. The Target Company is a company established under the laws of the PRC with limited liability. It is principally engaged in the research and development, manufacturing and sales of fire engines and firefighting equipment. As at the date of this announcement, the Target Company is directly held as to 100% by the Vendor and Zhou Xiangyi is the *de facto* controller of the Target Company.

Shanghai Shundun is a direct wholly-owned subsidiary of the Target Company. It was established under the laws of the PRC with limited liability in March 2018 by the Target Company and is currently a dormant company.

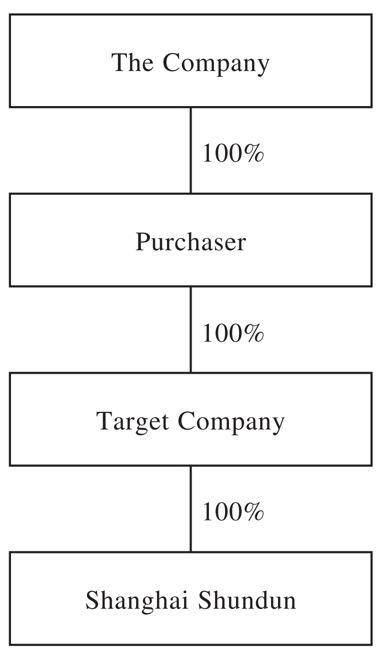
The following table shows the registered capital and shareholding structure of the Target Company before and after the Acquisition:

	Before the Acquisition		**After the Acquisition**	
	Registered capital *(RMB)*	**% of shareholding**	**Registered capital** *(RMB)*	**% of shareholding**
Shareholders				
The Vendor	83,330,000	100	–	–
The Purchaser	–	–	83,330,000	100
Total:	83,330,000	100	83,330,000	100

As at the date of this announcement, the shareholding structure of the Target Group is as follows:



Immediately after Completion, the shareholding structure of the Target Group is as follows:



Financial information of the Target Group

Based on the 2016 Local Audit Report and the 2017 Local Audit Report, the financial information of the Target Group for the 2 years ended 31 December 2016 and 2017 was as follows:

	For the year ended 31 December	
	2016	**2017**
	(audited)	**(audited)**
	(RMB'000)	*(RMB'000)*
Revenue	257,600	301,377
Profit before taxation	40,161	40,117
Profit after taxation	34,329	34,497

The audited net asset value of the Target Group increased from approximately RMB83,880,000 as at 31 December 2016 to approximately RMB118,376,000 as at 31 December 2017 primarily due to the net profit after taxation of approximately RMB34,496,500 for the year ended 31 December 2017.

Based on the unaudited consolidated management accounts of the Target Company, the unaudited net asset value of the Target Company was approximately RMB135,492,000 as at 31 August 2018 and its unaudited net profit before and after taxation were approximately RMB17,223,000 and approximately RMB17,116,000 respectively for the period ended 31 August 2018.

Upon Completion, the Target Company will become a wholly owned subsidiary of the Company and the financial information of the Target Group will be consolidated into the financial statements of the Group. The Company will continue to comply with its ongoing disclosure obligations under the Listing Rules regarding the business and financial performance of the Target Group after Completion.

INFORMATION ON THE VENDOR

The Vendor is a company established under the laws of the PRC with limited liability which holds 100% of the equity interests in the Target Company as at the date of this announcement. The Vendor is principally engaged in the design, manufacturing and sale of firefighting equipment.

The ultimate beneficial owners of the Vendor are Zhou Xiangyi and Zhou Guodong. Zhou Xiangyi is a PRC citizen and has been the chairman of the board and the legal representative of the Target Company since 28 January 2010. He has over 8 years of service with the Target Company and over 30 years of experience in the fire safety industry.

Zhou Guodong is a PRC citizen and a son of Zhou Xiangyi. He gradudated from China University of Geosciences* (中國地質大學) with a Bachelor degree in economics in July 2007. He joined the Vendor in August 2007 as a sales representative and has joined the Target Company since March 2011. He is currently a director and the Assistant to the General Manager of the Target Company.

As at the date of this announcement, Zhou Xiangyi and Zhou Guodong jointly hold the entire equity interests in the Vendor.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the Vendor, Zhou Xiangyi and Zhou Guodong are third parties independent of the Company and its connected persons.

INFORMATION ON THE PURCHASER

The Purchaser is a company established under the laws of the PRC with limited liability and an indirect wholly-owned subsidiary of the Company. The Purchaser is principally engaged in the design, and manufacturing and sale of firefighting equipment.

INFORMATION ON THE GROUP

The Company is a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange. The Group is principally engaged in the production and sale of fire engines, the production and sale of fire prevention and fighting equipment, the design and manufacturing of passengers boarding bridges and auto stereoscopic parking systems, and the provision of integrated solutions of airport facility equipment, including airport logistic systems (baggage handling and material handling) and ground support equipment.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is one of the leading manufacturers of fire engines, fire prevention and fighting equipment in the PRC. In order to facilitate its business growth, the Group employs a number of strategies, including the formation of strategic alliances, as well as mergers and acquisitions of companies which can complement the Group's existing lines of business.

The principal business of the Target Company, being the research and development, manufacturing and sales of fire engines and firefighting equipment in the PRC, is considered to be complementary to the Group's existing lines of business and would be a desirable natural expansion of the current business of the Group. The Acquisition is therefore expected to provide an excellent opportunity for the Group to strengthen its portfolio of fire engines and enlarge its geographical market coverage and production capacity. In addition, the Group is expected to benefit from the technical knowhow and product research and development capacbility of the Target Group after Completion.

The strategic importance of the Acquisition to the fire safety business of the Group is also reflected in the (i) the satisfactory financial track record of the Target Company as disclosed in section headed "Information on the Target Group – Financial Information of the Target Group; (ii) the high recognition of the Target Company in the local fire safety industry and the capability to manufacture good quality fire engines of the Target Company which has been recognised as a "High and New Tech Enterprise*" (高新技術企業) from 2015 to 2018 by Shanghai Science and Technology Commission* (上海市科學技術委員會) and the relevant tax bureaus and awarded, amongst others, the "Work Safety Standardization Certificate" issued by Shanghai Work Safety Association, the ISO9001:2008 Quality Management System Certificate and the "Economic Development Second Class Award*" (經濟建設二等獎) by The PRC Communist Party Pudong New Area Shuyuanzhen Committee* (中共浦東新區書院鎮委員會) in 2018; and (iii) the Target Company's presence in key geographical markets in the southeast coastal regions in the PRC, including but not limited to Jiangsu, Guangdong, Zhejiang and Shanghai.

In view of the above, the Directors consider that the Acquisition is in line with the Group's business growth strategy through mergers and acquisitions of companies.

The Directors (including the independent non-executive Directors) consider that the terms of the Equity Transfer Agreement and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios calculated in accordance with the Listing Rules in respect of the Acquisition exceed 100%, the Acquisition constitutes a very substantial acquisition of the Company which is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

GENERAL

The EGM will be convened and held for the Shareholders to consider and, if thought fit, approve the Equity Transfer Agreement and the transactions contemplated thereunder, and the Specific Mandate in relation to the issue of the First Batch Consideration Shares and the Second Batch Consideration Shares pursuant to the terms and conditions of the Equity Transfer Agreement.

The Circular containing, among other things, (i) further information on the Equity Transfer Agreement and the transactions contemplated thereunder; (ii) the financial and other information on the Group; (iii) the financial and other information on the Target Group; (iv) the unaudited pro forma financial information of the Enlarged Group upon Completion; and (v) the notice of the EGM, is expected to be despatched to the Shareholders on or before 31 January 2019, which is more than 15 business days after the publication of this announcement as more time will be needed for the preparation of certain information to be included in the Circular.

WARNING

As Completion 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.

DEFINITION

In this announcement, the following expressions have the meanings set out below unless the context otherwise requires:

"2016 Audit Report"	the audit report of the Target Group for the year ended 31 December 2016 to be prepared in accordance with applicable accounting standards for inclusion in the Circular pursuant to the requirements of the Listing Rules, and to be issued by a certified public accountant appointed or recognised by CIMC prior to the despatch of the Circular;
"2017 Audit Report"	the audit report of the Target Group for the year ended 31 December 2017 to be prepared in accordance with applicable accounting standards for inclusion in the Circular pursuant to the requirements of the Listing Rules, and to be issued by a certified public accountant appointed or recognised by CIMC prior to the despatch of the Circular;
"2018 Audit Report"	the audit report of the Target Group for the year ending 31 December 2018 to be prepared in accordance with applicable accounting standards adopted for the preparation of the Company's annual financial statements, and to be issued by a certified public accountant appointed or recognised by CIMC on or before 31 March 2019 or such later date as may be agreed amongst the Parties in writing;

"2019 Audit Report"	the audit report of the Target Group for the year ending 31 December 2019 to be prepared in accordance with applicable accounting standards adopted for the preparation of the Company's annual financial statements, and to be issued by a certified public accountant appointed or recognised by CIMC on or before 31 March 2020 or such later date as may be agreed amongst the Parties in writing;
"2016 Guaranteed Net Profit"	the Guaranteed Net Profit of RMB34,329,000 as per the 2016 Local Audit Report;
"2017 Guaranteed Net Profit"	the Guaranteed Net Profit of RMB34,496,500 as per the 2017 Local Audit Report;
"2018 Guaranteed Net Profit"	the Guaranteed Net Profit of RMB45,710,000;
"2019 Guaranteed Net Profit"	the Guaranteed Net Profit of RMB45,710,000;
"2018 and 2019 Guaranteed Revenue"	the guaranteed aggregate audited consolidated revenue of of RMB700,000,000 of the Target Group for the 2 years ending 31 December 2018 and 2019;
"2016 Local Audit Report"	the audit report of the Target Group for the year ended 31 December 2016 prepared in accordance with PRC GAAP and issued by the auditors of the Target Company;
"2017 Local Audit Report"	the audit report of the Target Group for the year ended 31 December 2017 prepared in accordance with PRC GAAP and issued by the auditors of the Target Company;
"Acquisition"	the acquisition of the Sale Interest by the Purchaser from the Vendor pursuant to the Equity Transfer Agreement;
"Average Guaranteed Net Profit"	the average of the 2016 Guaranteed Net Profit, the 2017 Guaranteed Net Profit and the 2018 Guaranteed Net Profit, which is equivalent to approximately RMB38,178,500;
"Board"	the board of Directors;

"Business Day"	a day which is not a Saturday, Sunday or public holiday designated by the government of the PRC;
"CIMC"	China International Marine Containers (Group) Co., Ltd.* (中國國際海運集裝箱(集團)股份有限公司), a company established in the PRC with limited liability and the shares of which are listed on the Shenzhen Stock Exchange and the Main Board of the Stock Exchange (Stock Code: 2039), and a controlling shareholder of the Company holding 51.1% of the Shares as at the date of this announcement;
"Circular"	the circular of the Company relating to, amongst others, the Acquisition to be despatched to the Shareholders on or before 31 January 2019 for the purpose of the EGM;
"Compensation Notice"	has the meaning ascribed to it under the section headed "The Equity Transfer Agreement – Performance guarantee, Financial Compensation and Cash Compensation";
"Company"	CIMC-TianDa Holdings Company Limited (中集天達控股有限公司), a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 445);
"Completion"	completion of the Acquisition pursuant to the terms and conditions of the Equity Transfer Agreement;
"connected persons"	has the meaning ascribed to it under the Listing Rules;
"Consideration"	the consideration for the Acquisition in the amount of RMB381,800,000 (subject to deductions), comprising cash consideration of RMB229,080,000 (as represented by the aggregate of the Prepayment and the First Instalment) and share consideration of RMB152,720,000 (as represented by the aggregate of the Second Instalment and the Remaining Balance to be satisfied by the issue of the First Batch Consideration Shares and the Second Batch Consideration Shares respectively), payable by the Purchaser to the Vendor pursuant to the terms and conditions of the Equity Transfer Agreement;

"Consideration Shares"	the First Batch Consideration Shares and the Second Batch Consideration Shares, each a "Consideration Share";
"Directors"	the Director(s) of the Company;
"EGM"	the extraordinary general meeting of the Company to be convened to consider and, if thought fit, approve, among other things, the Equity Transfer Agreement and the transactions contemplated thereunder, and the Special Mandate in relation to the issue of the First Batch Consideration Shares and the Second Batch Consideration Shares pursuant to the terms and conditions of the Equity Transfer Agreement;
"Enlarged Group"	the Group and the Target Group;
"Equity Transfer Agreement"	the equity transfer agreement dated 19 October 2018 entered into among the Purchaser, the Vendor, the Company, the Target Company and Zhou Xiangyi in relation to the Acquisition;
"Financial Compensation"	has the meaning ascribed to it under the section headed "The Equity Transfer Agreement – Performance guarantee, Financial Compensation and cash compensation";
"First Instalment"	the first instalment of the Consideration in the amount of RMB114,540,000 (subject to deductions) payable by the Purchaser to the Vendor pursuant to the Equity Transfer Agreement;
"First Batch Consideration Shares"	275,782,224 new Shares to be issued by the Company to settle the Second Instalment, which was determined by dividing the amount of the Second Instalment of RMB76,360,000 (subject to deductions) by the Issue Price;
"Group"	the Company and its subsidiaries;

"Guaranteed Net Profit"	the net profit guaranteed by the Vendor to the Purchaser, being the audited consolidated net profit after taxation attributable to holders of the Target Company after excluding income or loss generated by activities outside the ordinary and usual course of the business of the Target Group;
"HK$"	Hong Kong dollar, the lawful currency of Hong Kong;
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC;
"Issue Price"	the issue price of HK$0.3133 per Consideration Share;
"Key Management and Core Personnel"	the key management and core personnel of the Target Company as listed out in the List;
"List"	the list to be determined by the Purchaser identifying the Key Management and Core Personnel which is attached as Annexure 3 to the Equity Transfer Agreement, which can be further amended by the Purchaser subject to due diligence review;
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
"Net Profit Shortfall"	for each of the 2016 Guaranteed Net Profit, the 2017 Guaranteed Net Profit, the 2018 Guaranteed Net Profit and the 2019 Guaranteed Net Profit, the difference between such Guaranteed Net Profit and the actual net profit achieved by the Target Group as per the 2016 Audit Report, the 2017 Audit Report, the 2018 Audit Report, and the 2019 Audit Report, respectively;
"Net Profit Shortfall Ratio"	calculated as (1 – A/B) x 100%, where, for each of the 2 years ended 31 December 2016 and 2017 and the 2 years ending 31 December 2018 and 2019, (i) "A" represents the actual net profit achieved by the Target Group as per the 2016 Audit Report, the 2017 Audit Report, the 2018 Audit Report, and the 2019 Audit Report respectively; and (ii) "B" represents the 2016 Guaranteed Net Profit, the 2017 Guaranteed Net Profit, the 2018 Guaranteed Net Profit and the 2019 Guaranteed Net Profit, respectively;

"Party(ies)"	has the meaning ascribed to it under the section headed "The Equity Transfer Agreement – Parties";
"P/E Ratio"	has the meaning ascribed to it under the section headed "The Equity Transfer Agreement – Consideration – Basis of determining the Consideration";
"Prepayment"	the refundable prepayment of the Consideration in the amount of RMB114,540,000 payable by the Purchaser to the Vendor pursuant to the Equity Transfer Agreement;
"PRC"	the People's Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan;
"PRC GAAP"	generally accepted accounting principles in the PRC;
"Purchaser"	Allied Best (China) Fire Safety Appliances Manufacturing Co., Ltd.* (萃聯(中國)消防設備製造有限公司), a company established under the laws of the PRC with limited liability and an indirect wholly-owned subsidiary of the Company;
"Remaining Balance"	the remaining balance of the Consideration in the amount of RMB76,360,000 (subject to deductions) which shall be settled by the issue of the Second Batch Consideration Shares and payable by the Purchaser to the Vendor pursuant to the Equity Transfer Agreement;
"RMB"	Renminbi, the lawful currency of the PRC;
"Sale Interest"	represent 100% of the equity interest directly held by the Vendor in the Target Company as at the date of this announcement;
"Second Batch Consideration Shares"	275,782,224 new Shares to be issued by the Company to settle the Remaining Balance, which was determined by dividing the amount of the Remaining Balance of RMB76,360,000 (subject to deductions) by the Issue Price;

"Second Batch Consideration Shares Charge"	has the meaning ascribed to it under the section headed "The Equity Transfer Agreement - Consideration";
"Second Instalment"	the second instalment of the Consideration in the amount of RMB76,360,000 (subject to deductions) which shall be settled by the issue of the First Batch Consideration Shares and payable by the Purchaser to the Vendor pursuant to the Equity Transfer Agreement;
"Shanghai Shundun"	Shanghai Shundun Technology Co., Ltd.* (上海舜盾科技有限公司), a company established in the PRC with limited liability and a direct wholly-owned subsidiary of the Target Company;
"Share(s)"	the ordinary share(s) of HK$0.01 each in the share capital of the Company;
"Shareholder(s)"	holder(s) of the Shares from time to time;
"Share Charge"	the share charge on 25% equity interest in the Target Company held by the Vendor provided in favour of the Qingpu sub-branch of the Shanghai Pudong Development Bank by the Vendor and registered on 20 April 2018;
"Specific Manadate"	a specific manadate to be granted to the Directors in relation to the issue of the Consideration Shares to be approved by the Shareholders at the EGM;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"Target Company"	Shanghai Jindun Special Vehicle Equipment Co., Ltd.* (上海金盾特種車輛裝備有限公司);
"Target Group"	the Target Company and Shanghai Shundun;
"Vendor"	Shanghai Jindun Fire-Fighting Security Equipment Co., Ltd.* (上海金盾消防安全設備有限公司), a company established in the PRC with limited liability and is jointly owned by Zhou Xiangyi and Zhou Guodong;

"VWAP"	volume weighted average price which is calculated by dividing the daily turnover of the Shares by the daily trading volume of the Shares;
"Zhou Guodong"	Zhou Guodong* (周國棟) who indirectly holds 19% equity interest in the Target Company as at the date of this announcement;
"Zhou Xiangyi"	Zhou Xiangyi* (周象義) who indirectly holds 81% equity interest in the Target Company and the *de facto* controller of the Target Company as at the date of this announcement; and
"%"	per cent.

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

Hong Kong, 19 October 2018

As at the date of this announcement, the Board comprises as follows:

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*

* *For identification purpose only*