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## **China Fire Safety Enterprise Group Limited**

**中國消防企業集團有限公司**

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

**(Stock code: 445)**

### **DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO ACQUISITION OF 50% OF EQUITY INTERESTS IN MORITA-CFE INVESTMENT COMPANY LIMITED**

The Board hereby announces that on 30 November 2015 (after trading hours), the Purchaser, an indirect wholly subsidiary of the Company, and the Vendor entered into the Agreement pursuant to which the Purchaser has conditionally agreed to purchase, and the Vendor has conditionally agreed to sell, 50% equity interests in the Target Company, an indirect non-wholly owned subsidiary of the Company.

As at the date of this announcement, each of the Purchaser and the Vendor holds 50% equity interests in the Target Company, which directly holds 50% of the registered capital of Sichuan Morita. Sichuan Morita is an indirect non-wholly owned subsidiary of the Company and is held as to 75% equity interest indirectly by the Company through the Purchaser and Allied Best China, and as to 25% by the Vendor through the Target Company.

Upon Completion, both the Target Company and Sichuan Morita will become indirect wholly owned subsidiaries of the Company.

The total consideration for the Acquisition to be paid by the Purchaser to the Vendor under the Agreement is RMB37,000,000 (equivalent to approximately HK\$46,250,000), which shall be payable by the Purchaser in HK\$ at Completion.

#### **LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Acquisition are more than 5% but all the applicable percentage ratios are less than 25%, the Acquisition constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules, and is subject to announcement and reporting requirements.

As at the date of this announcement, the Vendor holds 50% equity interests in the Target Company, an indirect non-wholly owned subsidiary of the Company. Therefore, the Vendor is a connected person of the Company at the subsidiary level under the Listing Rules and the Agreement and the transactions contemplated thereunder constitute a connected transaction for the Company under Chapter 14A of the Listing Rules. However, based on the reasons and benefits as disclosed in sub-section headed “Reasons and Benefits for Acquisition” in this announcement, as the Directors (including the independent non-executive Directors) have approved and confirmed that the terms of the Agreement are fair and reasonable, and the Agreement and the transactions contemplated thereunder are on normal commercial terms and in the interests of the Company and its shareholders as a whole, the Agreement and the transactions contemplated thereunder are exempt from the circular, independent financial advice and independent shareholders’ approval requirements, and are only subject to the reporting and announcement requirements pursuant to Rule 14A.101 of the Listing Rules.

## **INTRODUCTION**

The Board hereby announces that on 30 November 2015 (after trading hours), the Purchaser, an indirect wholly owned subsidiary of the Company, and the Vendor entered into the Agreement pursuant to which the Purchaser has conditionally agreed to purchase, and the Vendor has conditionally agreed to sell, 50% equity interests in the Target Company, an indirect non-wholly owned subsidiary of the Company.

As at the date of this announcement, each of the Purchaser and the Vendor holds 50% equity interests in the Target Company, which directly holds 50% of the registered capital of Sichuan Morita. Sichuan Morita is an indirect non-wholly owned subsidiary of the Company and is held as to 75% equity interests indirectly by the Company through the Purchaser and Allied Best China, and as to 25% indirectly by the Vendor through the Target Company.

Upon Completion, both the Target Company and Sichuan Morita will become indirect wholly owned subsidiaries of the Company.

## **THE AGREEMENT**

The principal terms of the Agreement are as follows:

**(A) Date:**

30 November 2015

**(B) Parties:**

- (i) Vendor : Morita Holdings Corporation (formerly known as Morita Corporation), a company principally engaged in the manufacturing and distribution of fire engines and fire prevention and fighting equipment.
- (ii) Purchaser : Allied Best Holdings Limited, an indirect wholly owned subsidiary of the Company

**(C) Assets to be acquired:**

50% equity interests in the Target Company, of which each of the Purchaser and the Vendor holds 50% equity interest as at the date of this announcement.

**(D) Consideration**

The total consideration for the Acquisition to be paid by the Purchaser to the Vendor under the Agreement is RMB37,000,000 (equivalent to approximately HK\$46,250,000), which shall be payable by the Purchaser in Hong Kong dollars at Completion.

*Basis of determination of the Consideration*

The Consideration was determined after arm's length negotiations between the Purchaser and the Vendor after taking into consideration the latest financial position of Sichuan Morita and the role that Sichuan Morita may play in the development strategies of the Group.

The Directors (including the independent non-executive Directors) consider that the Consideration is fair and reasonable and in the interests of the Company and its shareholders as a whole.

**(E) Completion of the Acquisition**

Completion shall take place on a date falling within ten days after the date of the Agreement as agreed by the parties (or on such other date as the parties may agree), subject to the fulfillment or waiver of the conditions precedents as set out below.

Completion is conditional upon no event having occurred which constitutes a breach of (i) any of the warranties given by the Vendor under the Agreement or other provisions of the Agreement by the Vendor, or (ii) any of the warranties given by the Purchaser under the Agreement or other provisions of the Agreement by the Purchaser.

If the conditions precedents are not fulfilled or waived in writing by the relevant affected party within ten days after the date of the Agreement (or such later date as may be agreed between the Vendor and the Purchaser), the Agreement shall terminate and none of the parties shall have any claim against the others for costs, damages, compensation or otherwise (save in respect of any prior breach of the Agreement).

**(F) Shareholders Agreement upon Completion**

Upon Completion, the shareholders agreement dated 14 January 2005 entered into among the Vendor, the Purchaser and the Target Company shall terminate automatically.

## INFORMATION ABOUT THE GROUP, THE TARGET COMPANY AND SICHUAN MORITA

The Group is principally engaged in the production and sale of fire engines, and production and sale of fire prevention and fighting equipment.

The Target Company is an investment holding company incorporated in Hong Kong with limited liability. As at the date of this announcement, each of the Purchaser and the Vendor directly holds 50% equity interests in the Target Company, which directly holds 50% of the registered capital of Sichuan Morita.

Sichuan Morita is a sino-foreign equity joint venture established in Sichuan, the PRC and is the Group's major fire engines manufacturing subsidiary. The Company through the Purchaser and Allied Best China indirectly holds 75% equity interests in Sichuan Morita and the remaining 25% is held by the Vendor as at the date of this announcement. Upon Completion, both the Target Company and Sichuan Morita will become indirect wholly owned subsidiaries of the Company.

### *Financial information of the Target Company and Sichuan Morita*

Based on the Group's audited consolidated financial statements, the net profit/ (loss) before and after taxation of the Target Company and Sichuan Morita for the two years ended 31 December 2013 and 2014, and their total assets and net assets/ (liabilities) as at 31 December 2014 are set out below.

	Target Company		Sichuan Morita	
	For the year ended 31 December			
	2013	2014	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Net (loss)/ profit before taxation	(3)	(2)	28,396	10,819
Net (loss)/ profit after taxation	(3)	(2)	22,320	6,573

	Target Company		Sichuan Morita	
	As at 31 December			
	2014		2014	
	RMB'000		RMB'000	
Total assets	<i>(Note 1)</i> 40,389		505,380	
Net (liabilities)/ assets	(1,380)		219,808	

*Note 1:* The amount included the costs of investment in Sichuan Morita of approximately RMB40,359,000.

## **REASONS AND BENEFITS FOR THE ACQUISITION**

Sichuan Morita (formerly known as Sichuan Fire Safety Appliances Factory) was acquired by the Group in 2004. As disclosed in the Company's announcement dated 14 January 2005, the Group sold 50% of the equity interests in the Target Company (representing an effectively 25% equity interests in Sichuan Morita) to the Vendor at a cash consideration of RMB20,750,000 (which, to the best knowledge of the Company, was the original acquisition cost paid by the Vendor at that time) in an anticipation that synergies could be derived from the cooperation between the Group and the Vendor in respect of technological advancement, production renovation and market expansion. However, the synergetic effect did not realise as expected. In addition, since the restructuring of the Group's business by the disposal of the installation and maintenance of firefighting and prevention systems business in April 2015 and China International Marine Containers (Group) Co., Ltd. became a controlling shareholder (as defined under the Listing Rules) of the Company holding 30% of the issued shares of the Company in July 2015, the Group has revisited its business strategies and decided that the existing cooperation with the Vendor should come to an end such that the Group will have the complete control of Sichuan Morita, which may then follow and execute the Group's new development plans and strategies.

Sichuan Morita was established in Sichuan, the PRC in 1963 and in the past 50 years, it built up not only the well-known brand name, but also a strong position in the industry. As at the date of this announcement, Sichuan Morita has over 100 models of fire engines and special vehicles that assist firefighting in different environment. Its fire engines were the first batch that has passed the first national stress test organized by the China National Center for Quality Supervision and Testing of Fire Fighting Equipment of the PRC. Besides, its brand "Chuan Xiao" has been recognized as a national well-known trademark by the Trademark Office of the State Administration for Industry & Commerce of the PRC.

The Consideration of RMB37,000,000 for the Acquisition is at a discount of approximately 32.67% to the net assets value of Sichuan Morita of RMB54,952,000 (represented by the effective 25% equity interests in Sichuan Morita being acquired by the Group under the Acquisition) as disclosed in sub-section headed "Information about the Group, the Target Company and Sichuan Morita - Financial information of the Target Company and Sichuan Morita" in this announcement above. The Board therefore is of the view that the Consideration is in the interests of the Company and its shareholders as a whole.

Having considered (i) the Group's strategies for future development of the fire engines business, (ii) the brand and position established by Sichuan Morita, and (iii) the Consideration is at a discount to the net assets value of Sichuan Morita represented by the effective 25% equity interests in Sichuan Morita being acquired by the Group under the Acquisition, the Directors (including the independent non-executive Directors) are of the view that the terms of the Agreement are fair and reasonable, and the Agreement and the transactions contemplated thereunder have been entered into after arm's length negotiations and determined on normal commercial terms that are in the interests of the Company and its shareholders as a whole.

None of the Directors has a material interest in the Agreement or is required to abstain from voting on the resolutions for the approval of the Agreement.

## **INFORMATION ABOUT THE VENDOR**

The Vendor was established in 1907 and is a world renowned manufacturer and distributor of fire engines and fire prevention and fighting equipment. Its shares are listed on the Tokyo Stock Exchange of the Japan Exchange Group, Inc..

## **LISTING RULES IMPLICATIONS**

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As at the date of this announcement, the Vendor holds 50% equity interests in the Target Company, an indirect non-wholly owned subsidiary of the Company. Therefore, the Vendor is a connected person of the Company at the subsidiary level under the Listing Rules and the Agreement and the transactions contemplated thereunder constitute a connected transaction for the Company under Chapter 14A of the Listing Rules. However, based on the reasons and benefits as disclosed in sub-section headed “Reasons and Benefits for Acquisition” in this announcement above, as the Directors (including the independent non-executive Directors) have approved and confirmed that the terms of the Agreement are fair and reasonable, and the Agreement and the transactions contemplated thereunder are on normal commercial terms and in the interests of the Company and its shareholders as a whole, the Agreement and the transactions contemplated thereunder are exempt from the circular, independent financial advice and independent shareholders’ approval requirements, and are only subject to the reporting and announcement requirements pursuant to Rule 14A.101 of the Listing Rules.

## **DEFINITIONS**

Unless otherwise defined, the following expressions in this announcement have the following meanings:

“Acquisition”	the acquisition of 50% equity interests in the Target Company by the Purchaser from the Vendor
“Agreement”	the share sale and purchase agreement dated 30 November 2015 and entered into between the Vendor as vendor and the Purchaser as purchaser in relation to the Acquisition
“Allied Best China”	Allied Best (China) Fire Safety Appliances Manufacturing Co., Ltd. (萃聯(中國)消防設備製造有限公司), a wholly

foreign-owned enterprises established in Sichuan, the PRC and an indirect wholly owned subsidiary of the Company

“Board”	the board of Directors
“Company”	China Fire Safety Enterprise Group Limited, a company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 445)
“Completion”	completion of the Acquisition under the Agreement
“connected person(s)”	has the same meaning ascribed to it in the Listing Rules
“Consideration”	the consideration of RMB37,000,000 for the Acquisition
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China which, for the purpose of this announcement and unless the context suggests otherwise, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Purchaser”	Allied Best Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly owned subsidiary of the Company
“Sichuan Morita”	Sichuan Morita Fire Appliances Co., Ltd. (四川森田消防裝備製造有限公司) (formerly known as Sichuan Fire Safety Appliances Factory (四川消防機械總廠)), a sino-foreign equity joint venture established in Sichuan, the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the same meaning ascribed to it in the Listing Rules
“Target Company”	Morita-CFE Investment Company Limited, a company incorporated in Hong Kong with limited liability
“Vendor”	Morita Holdings Corporation (formerly known as Morita Corporation), a company principally engaged in the manufacturing and distribution of fire engines and fire

prevention and fighting equipment. Its shares are listed on the Tokyo Stock Exchange of the Japan Exchange Group, Inc.

“HK\$” or “Hong Kong dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

*For illustration purpose only, amounts denominated in Renminbi in this announcement have been translated into Hong Kong dollars at an exchange rate of RMB1:HK\$1.25.*

By Order of the Board  
**China Fire Safety Enterprise Group Limited**  
Li Ching Wah  
*Company Secretary*

Hong Kong, 30 November 2015

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

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