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## **CHINA ZHONGDI DAIRY HOLDINGS COMPANY LIMITED**

**中國中地乳業控股有限公司**

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

**(Stock code: 1492)**

### **DISCLOSEABLE TRANSACTIONS FINANCE LEASE AGREEMENTS**

The Board is pleased to announce that, on 13 December 2017, (i) GuoZi Leasing and the Leasees entered into the First Agreement, pursuant to which GuoZi Leasing has agreed to purchase the Leased Assets I from the Leasees at a purchase price of RMB77.0 million and lease back the Leased Assets I to the Leasees for a period of 36 months commencing from the Lease Commencement Date, subject to the terms and conditions of the First Agreement, and (ii) GuoZi Leasing and the Leasees entered into the Second Agreement; pursuant to which GuoZi Leasing has agreed to purchase the Leased Assets II from the Leasees at a purchase price of RMB43.0 million and lease back the Leased Assets II to the Leasees for a period of 36 months commencing from the Lease Commencement Date, subject to the terms and conditions of the Second Agreement.

The Leased Assets Sale I and the Leased Assets Sale II constitute a series of transactions made within a 12-month period and shall be aggregated pursuant to Rule 14.22 of the Listing Rules. As one or more of the applicable percentage ratios in respect of the Leased Assets Sale I and Leased Assets Sale II, on an aggregated basis, is more than 5% but are all less than 25%, the Leased Assets Sales constitute a discloseable transaction of the Company and is subject to the notification and announcement requirements but exempt from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

The Leasing Transaction I and the Leasing Transaction II constitute a series of transactions made within a 12-month period and shall be aggregated pursuant to Rule 14.22 of the Listing Rules. As one or more of the applicable percentage ratios in respect of the Leasing Transaction I and Leasing Transaction II, on an aggregated basis, is more than 5% but are all less than 25%, the Leasing Transactions constitute a discloseable transaction of the Company and is subject to the notification and announcement requirements but exempt from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

## **INTRODUCTION**

On 13 December 2017, (i) GuoZi Leasing and the Leasees entered into the First Agreement, pursuant to which GuoZi has agreed to purchase the Leased Assets I from the Leasees at a purchase price of RMB77.0 million and lease back the Leased Assets I to the Leasees for a period of 36 months commencing from the Lease Commencement Date, subject to the terms and conditions of the First Agreement; and (ii) GuoZi Leasing and the Leasees entered into the Second Agreement, pursuant to which GuoZi Leasing has agreed to purchase the Leased Assets II from the Leasees at a purchase price of RMB43.0 million and lease back the Leased Assets II to the Leasees for a period of 36 months commencing from the Lease Commencement Date, subject to the terms and conditions of the Second Agreement.

## **PRINCIPAL TERMS OF THE AGREEMENTS**

The following sets forth a summary of the principal terms of the Agreements:

### **Date:**

13 December 2017

### **Parties**

- (1) ZhongDi Tianjin and ZhongDi Stud Livestock (as the vendors and lessees of the Leased Assets); and
- (2) GuoZi Leasing (as the purchaser and the lessor of the Leased Assets).

## **Sale and Leaseback**

Pursuant to the First Agreement, GuoZi Leasing has agreed to purchase the Leased Assets I from the Leasees at a purchase price of RMB77.0 million, which shall be payable to the Leasees upon fulfillment of conditions precedent or waiver thereof. The purchase price was determined after arm's length negotiation between the Leasees and GuoZi Leasing with reference to the original purchase price paid for the Leased Assets I as at 31 December 2016.

Pursuant to the Second Agreement, GuoZi Leasing has agreed to purchase the Leased Assets II from the Leasees at a purchase price of RMB43.0 million, which shall be payable to the Leasees upon fulfillment of conditions precedent or waiver thereof. The purchase price was determined after arm's length negotiation between the Leasees and GuoZi Leasing with reference to the original purchase price paid for the Leased Assets II as at 31 December 2013.

Pursuant to the Agreements, payment of the purchase price for the Leased Assets by GuoZi Leasing shall be conditional upon the fulfillment of, among other things, the following conditions unless otherwise waived by GuoZi Leasing in accordance with the terms thereof:

- (1) the Agreement and other relevant legal documents having been executed between GuoZi Leasing and the Leasees or other third parties (including but not limited to the guarantor) and such legal documents having taken effect;
- (2) all assessment documents and information required by GuoZi Leasing having been provided by the Leasees to GuoZi Leasing pursuant to the Agreements;
- (3) the guarantee documents under the Agreements having taken effect, and GuoZi Leasing having received such guarantee documents and the certificate of registration provided that the registration of such guarantee is mandatory under applicable laws and regulations or contractual agreements; and
- (4) the lease security deposit, lease services fees and lease consulting service fees (if any) having been paid by the Leasees pursuant to the Agreements.

The purchase price for the Leased Assets shall be paid by GuoZi Leasing to the Leasees within ten Business Days after fulfillment of the abovementioned conditions. Upon full payment of the abovementioned purchase price for the Leased Assets in accordance with the terms of the Agreements, the ownership of the Leased Assets under the Agreements shall be transferred to GuoZi Leasing accordingly.

Pursuant to the First Agreement, GuoZi Leasing has agreed to lease back the Leased Assets I to the Leasees for a period of 36 months commencing from the Lease Commencement Date. The aggregate amount of the lease consideration payable by the Leasees to GuoZi Leasing is approximately RMB84.0 million and shall be payable in 12 instalments at intervals of three months commencing from Leasing Commencement Date .

Pursuant to the Second Agreement, GuoZi Leasing has agreed to lease back the Leased Assets II to the Leasees for a period of 36 months commencing from the Lease Commencement Date. The aggregate amount of the lease consideration payable by the Leasees to GuoZi Leasing is approximately RMB46.9 million and shall be payable in 12 instalments at intervals of three months commencing from Leasing Commencement Date.

The aggregate amount of the Lease Consideration was determined after arm's length negotiation between the parties based on the principal lease cost and annual lease interest rate. The principal lease cost under the First Agreement and the Second Agreement is RMB77.0 million and RMB43.0 million, equivalent to the amount of the respective purchase price of Leased Assets I and Leased Assets II. The annual lease interest rate under the Agreements is 5.32% per year and subject to adjustments during the Lease Period according to the then prevailing benchmark interest rate for loans for the same period. A written notification shall be given by GuoZi Leasing to the Leasees pursuant to the Agreements at the time of each adjustment.

### **Lease security deposit**

Pursuant to the First Agreement, the Leasees shall pay a lease security deposit of RMB3.465 million (free from interests) in full to GuoZi Leasing by no later than the date on which the consideration in respect of the Leased Assets Sale I is paid in full by GuoZi Leasing and such lease security deposit shall remain no less than RMB3.465 million during the Lease Period.

Pursuant to the Second Agreement, the Leasees shall pay a lease security deposit of RMB1.935 million (free from interests) in full to GuoZi Leasing by no later than the date on which the consideration in respect of the Leased Assets Sale II is paid in full by GuoZi Leasing and such lease security deposit shall remain no less than RMB1.935 million during the Lease Period.

If the Leasees fail to pay the Lease Consideration or discharge other liabilities under the Agreements in time, GuoZi Leasing is entitled to deduct the corresponding amount from the lease security deposits and the Leasees required to make payments to GuoZi Leasing to supplement the lease security deposits upon receiving written

notices from GuoZi Leasing. The lease security deposits shall remain with GuoZi Leasing until the liabilities under the Agreements have been discharged and the remaining amount shall be returned to the Leasees within five Business Days after all of liabilities of the Leasees under the Agreement having been discharged.

### **Guarantee**

Pursuant to the Agreements, ZhongDi Farm (an indirect wholly-owned subsidiary of the Company) and Mr. Zhang Jianshe (a controlling Shareholder of the Company) shall enter into the Guarantee Agreements with GuoZi Leasing providing guarantee in favour of GuoZi Leasing on a joint and several basis for liabilities of the Leasees under the Agreements.

### **Pledge**

In connection with the Agreements, on 13 December 2017, ZhongDi Tianjin and GuoZi Leasing entered into a pledge agreement, pursuant to which ZhonDi Tianjin shall pledge all the trade receivables with expected value of RMB360.8 million under a raw milk purchase agreement to secure the performance of the liabilities of the Leasees under the Agreements.

### **The Leased Assets**

As at the date of this announcement, the Leased Assets consist of certain production equipments and other fixed assets owned by the Leasees for their business operation in Tianjin, the PRC.

### **Early Termination**

Prior to the expiry of the Lease Period, subject to the written consent of GuoZi Leasing and conditional upon the Leasees having performed their obligations under the Agreements, the Leasees are entitled to early termination of the Agreements.

### **Ownership of the Leased Assets as at the End of the Lease Period**

Upon expiry of the Lease Period and subject to fulfillment of obligations under the Agreements (including but not limited to the in-full payment to GuoZi Leasing by the Leasees of the Lease Consideration, the Repurchase Price and other fees payable under the Agreements in full), the ownership of the Leased Assets shall be transferred to the Leasees on an as-is basis.

### **FINANCIAL EFFECTS OF THE TRANSACTIONS UNDER THE AGREEMENT**

The transactions contemplated under the Agreements will not have any material immediate impact on the Group's profit and loss statement and there will be no material net change on the Group's balance sheet pursuant to applicable accounting principles.

The net proceeds from the Leased Assets Sales are estimated to be used to replenish the general working capital of the Group.

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

The terms and conditions of the Agreements, including the Lease Consideration, were determined after arm's length negotiation between the parties and by reference to, among other things, the original purchase price of the Leased Assets, the term of the Lease Period, the purchase cost of the Leased Assets and similar prevailing leasing arrangements with PRC finance leasing companies.

The Directors are of the view that the Group will be able to obtain additional working capital for the development of the Group's principal businesses by leveraging on the financing platform offered through transactions contemplated under the Agreements and that the terms and conditions of the Agreements are fair and reasonable and in the interests of the Company and the shareholders of the Company as a whole.

## **INFORMATION ABOUT THE RELEVANT PARTIES**

### **The Group**

The Company, through its subsidiaries, is principally engaged in business operations including raising and breeding dairy cows, producing and selling premium raw milk, importing and selling dairy cows of quality breeds and breeding stock, and import trading business in cows, alfalfa hay and other animal husbandry-related products.

### **ZhongDi Tianjin**

ZhongDi Tianjin, an indirect wholly-owned subsidiary of the Company, is a limited liability company established in the PRC and principally engaged in business of dairy farming operation.

### **ZhongDi Stud Livestock**

ZhongDi Stud Livestock, an indirect wholly-owned subsidiary of the Company, is a limited liability company established in the PRC and principally engaged in the business of imports and sales of cows.

### **ZhongDi Farm**

ZhongDi Farm, an indirect wholly-owned subsidiary of the Company, is a limited liability company established in the PRC and principally engaged in the business of raising and breeding dairy cows, producing and selling premium raw milk, importing and selling dairy cows of quality breeds and breeding stock, and import trading business in cows, alfalfa hay and other animal husbandry-related products.



“Board”	the board of Directors
“Business Day”	any day (other than a Saturday, Sunday or public holiday in the PRC) on which commercial banks in the PRC are generally open for normal corporate banking business
“Company”	China ZhongDi Dairy Holdings Company Limited (中國中地乳業控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 24 April 2014, the shares of which are listed on the Stock Exchange
“Director(s)”	director(s) of the Company
“First Agreement”	the finance lease agreement dated 13 December 2017 entered into between GuoZi Leasing (as the purchaser and lessor) and ZhongDi Tianjin and ZhongDi Stud Livestock, (as the vendors and lessees) in respect of the sale and leaseback of the Leased Assets I
“Group”	the Company and its subsidiaries
“Guarantee Agreements”	the guarantee agreements entered into by ZhongDi Farm and Mr. Zhang Jianshe, as the guarantors, and GuoZi Leasing, as the beneficiary, on 13 December 2017 in relation to the payment obligations and liabilities of the Leasees under the Agreements
“GuoZi Leasing”	Beijing GuoZi Financial Leasing Co., Ltd.* (北京國資融資租賃股份有限公司), a company established under the laws of the PRC
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Lease Commencement Date”	20 December 2017, subject to the terms and conditions of the Agreements
“Lease Consideration”	the lease consideration payable by Leasees to GuoZi Leasing for the Leasing Transactions pursuant to the Agreements
“Lease Period”	the period of 36 months from the Lease Commencement Date

“Leasees”	ZhongDi Tianjin and ZhongDi Stud Livestock
“Leased Assets”	Leased Assets I and Leased Assets II
“Leased Assets I”	Certain production equipments and other fixed assets owned by the Leasees as at the date of this announcement to be transferred by the Leasees to GuoZi Leasing and leased back by GuoZi Leasing to the Leasees as further described in the First Agreement
“Leased Assets II”	Certain production equipments and other fixed assets owned by the Leasees as at the date of this announcement to be transferred by the Leasees to GuoZi Leasing and leased back by GuoZi Leasing to the Leasees as further described in the Second Agreement
“Leased Assets Sales”	Leased Assets Sale I and Leased Assets Sale II
“Leased Assets Sale I”	the sale of the Leased Assets I by Leasees to GuoZi Leasing pursuant to the terms and conditions of the First Agreement
“Leased Assets Sale II”	the sale of the Leased Assets II by Leasees to GuoZi Leasing pursuant to the terms and conditions of the First Agreement
“Leasing Transactions”	Leasing Transaction I and Leasing Transaction II
“Leasing Transaction I”	the leasing of the Leased Assets I by Leasees from GuoZi Leasing pursuant to the terms and conditions of the First Agreement
“Leasing Transaction II”	the leasing of the Leased Assets II by Leasees from GuoZi Leasing pursuant to the terms and conditions of the Second Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan for the purpose of this announcement

“Repurchase Price”	the consideration to be paid by the Leasees to GuoZi Leasing for the purpose of acquiring the ownership of the Leased Assets upon expiry of the Leased Period pursuant to the Agreements
“RMB”	Renminbi, the lawful currency of the PRC
“Second Agreement”	the finance lease agreement dated 13 December 2017 entered into between GuoZi Leasing (as the purchaser and lessor) and ZhongDi Tianjin and ZhongDi Stud Livestock, (as the vendors and lessees) in respect of the sale and leaseback of the Leased Assets II
“Shareholder(s)”	holder(s) of the share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“ZhongDi Farm”	ZhongDi Farm Technology Corporation* (中地牧業科技集團有限公司), a limited liability company established under the laws of the PRC and an indirect wholly-owned subsidiary of the Company
“ZhongDi Tianjin”	Tianjin ZhongDi Livestock Breeding and Cultivation Co., Ltd.* (天津中地畜牧養殖有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“ZhongDi Stud Livestock”	Beijing ZhongDi Stud Livestock Co., Ltd.* (北京中地種畜有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“%”	per cent.

On behalf of the Board  
**CHINA ZHONGDI DAIRY  
HOLDINGS COMPANY LIMITED**  
**Zhang Jianshe**  
*Chairman*

Beijing, the PRC, 13 December 2017

*As the date hereof, the Board comprises Mr. Zhang Jianshe and Mr. Zhang Kaizhan as executive Directors, Mr. Liu Dai, Mr. Du Yuchen, Mr. Li Jian and Ms. Yu Tianhua as non-executive Directors and Prof. Li Shengli, Dr. Zan Linsen and Mr. Joseph Chow as independent non-executive Directors.*

*\* For identification purpose only*