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

### **中國中地乳業控股有限公司**

*(a company incorporated under the laws of the Cayman Islands with limited liability)*

(Stock Code: 1492)

### **DISCLOSEABLE TRANSACTIONS — FINANCE LEASE AGREEMENT**

On 2 December 2016, Qinghui Lease and the Lessees (each being a subsidiary of the Company) entered into the Agreement, pursuant to which Qinghui Lease has agreed to purchase the Leased Assets from the Lessees at a purchase price of RMB100 million and lease back the Leased Assets to the Lessees for a period of thirty months subject to the terms and conditions of the Agreement.

As one or more of the applicable percentage ratios in respect of the Leased Assets Sale is more than 5% but are all less than 25%, the Leased Assets Sale constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements but exempt from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the Leasing Transaction is more than 5% but are all less than 25%, the Leasing Transaction constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements but exempt from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

### **INTRODUCTION**

The Board is pleased to announce that, on 2 December 2016, Qinghui Lease and the Lessees (each being a subsidiary of the Company) entered into the Agreement, pursuant to which Qinghui Lease has agreed to purchase the Leased Assets from the Lessees at a purchase price of RMB100 million and lease back the Leased Assets to the Lessees for a period of thirty months subject to the terms and conditions of the Agreement.

## **PRINCIPAL TERMS OF THE AGREEMENT**

The principal terms of the Agreement are set out below:

### **Date:**

2 December 2016

### **Parties**

- (1) the Lessees (as the vendors and joint lessees of the Leased Assets); and
- (2) Qinghui Lease (as the purchaser and the lessor of the Leased Assets).

### **Sale and Leaseback**

Pursuant to the Agreement, Qinghui Lease shall purchase the Leased Assets from the Lessees at a purchase price of RMB100 million, which shall be payable to the Lessees upon fulfillment of conditions precedent or waiver thereof. The amount of the purchase price was determined after arm's length negotiation between the Lessees and Qinghui Lease with reference to the prevailing market price.

Pursuant to the Agreement, payment of the purchase price for the Leased Assets by Qinghui Lease shall be conditional upon the fulfillment of, among other things, the following principal conditions unless otherwise waived by Qinghui Lease:

- (1) the Agreement and other relevant legal documents having been executed between Qinghui Lease and the Lessees or other third parties (including but not limited to the guarantor) and such legal documents having taken effect without any default;
- (2) the guarantee document and the guarantee right under the finance lease transactions having taken effect, and Qinghui Lease having received the approval or authorisation documents required by the laws and regulations and the articles of association of the guarantor for the guarantor's provision of external guarantee;
- (3) all representations and warranties by the Lessees under this Agreement are true, complete and not misleading in material respects; and
- (4) the lease consulting service fee having been paid by the Lessees or such third party appointed by the Lessees and recognised by Qinghui Lease.

Pursuant to the Agreement, Qinghui Lease shall lease back the Leased Assets to the Lessees for a period of thirty months from the Lease Commencement Date. The aggregate amount of the Lease Consideration payable by the Lessees to Qinghui Lease is approximately RMB121.25 million and shall be payable in eleven instalments commencing from 1 January 2017 pursuant to the Agreement.

The aggregate amount of the Lease Consideration was determined based on the principal lease cost and annual lease interest rate. The principal lease cost under the Agreement is approximately RMB100 million, equivalent to the amount of the purchase price of RMB100 million for the Leased Assets. The annual lease interest rate under the Agreement is a fixed interest rate of 8.5% per year.

### **Guarantee**

Pursuant to the Agreement, ZhongDi Beijing (an indirect wholly-owned subsidiary of the Company) shall provide a joint liability guarantee in favour of Qinghui Lease for the obligations of the Lessees under the Agreement.

### **The Leased Assets**

As at the date of this announcement, the Leased Assets consist of 5,661 dairy cows, among which 3,319 dairy cows are wholly-owned by ZhongDi Shangdu for its operation of dairy farm in Inner Mongolia, the PRC and 2,342 dairy cows are wholly-owned by ZhongDi Technology for its operation of dairy farm in Beijing, the PRC.

### **Early Termination**

Pursuant to the Agreement, the Lessees may not unilaterally require an early termination of the Leasing Transaction prior to the expiry of the Lease Period. In the event that the Lessees decide on an early termination of the Leasing Transaction without written consent of Qinghui Lease, the Lessees shall make the following payment in full to Qinghui Lease: (i) all of the due and unpaid Lease Consideration and overdue interest as at the early termination date; (ii) all of the undue Lease Consideration and other payables as at the early termination date; (iii) the Repurchase Price; and (iv) any loss incurred to the Qinghui Lease thereto.

### **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 Agreement (including but not limited to the full payment to Qinghui Lease by the Lessees of all of the Lease Consideration, Repurchase Price and other fees payable under the Agreement), the ownership of the Leased Assets shall be transferred to the Lessees on an as-is basis.

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

As at 30 September 2016, the net book value of the Leased Assets was approximately RMB166,983,265. The transactions contemplated under the Agreement 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 Sale are estimated to be used to supplement the general working capital of the Group.

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

The terms and conditions of the Agreement, including the Lease Consideration, were determined after arm's length negotiations between the parties and by reference to, among other things, the value 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 Agreement and that the terms and conditions of the Agreement 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 Technology**

ZhongDi Technology, an indirect wholly-owned subsidiary of the Company, is a limited liability company established in the PRC and principally engaged in business of feeding and sale of Holstein cattle, technology development, technology advisory and technology services.

## **ZhongDi Shangdu**

ZhongDi Shangdu, an indirect wholly-owned subsidiary of the Company, is a limited liability company established in the PRC and principally engaged in business of breeding, raising and sale of elite cows, frozen semen and its embryo propagation.

## **Qinghui Lease**

Qinghui Lease is a limited liability company established in the PRC and principally engaged in financing lease business and operating lease business.

The Directors confirm that to the best of their knowledge, information and belief and having made all reasonable enquiries, Qinghui Lease and its ultimate beneficial owner(s) are third parties independent of the Company.

## **IMPLICATIONS UNDER THE LISTING RULES**

As one or more of the applicable percentage ratios in respect of the Leased Assets Sale is more than 5% but are all less than 25%, the Leased Assets Sale constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements but exempt from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the Leasing Transaction is more than 5% but are all less than 25%, the Leasing Transaction constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements but exempt from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

## **DEFINITIONS**

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

“Agreement”	the finance lease agreement dated 2 December 2016 entered into between Qinghui Lease (as the purchaser and lessor) and ZhongDi ShangDu and ZhongDi Technology (as the vendors and joint lessees) in respect of the sale and leaseback of the Leased Assets
“Board”	the board of Directors

“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
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Lease Commencement Date”	the date on which the purchase price for the Leased Assets Sale is paid by Qinghui Lease to the Lessees pursuant to the terms of the Agreement
“Lease Consideration”	the lease consideration payable by the Lessees to Qinghui Lease for the Leasing Transaction pursuant to the Agreement
“Lease Period”	the period of thirty months from the Lease Commencement Date
“Lessees”	ZhongDi Shangdu and ZhongDi Technology as joint lessees under the Agreement
“Leased Assets”	5,661 dairy cows owned by the Group as at the date of this announcement subject to the terms of the Agreement
“Leased Assets Sale”	the sale of the Leased Assets by the Lessees to Qinghui Lease pursuant to the terms and conditions of the Agreement
“Leasing Transaction”	the leasing of the Leased Assets by the Lessees from Qinghui Lease pursuant to the terms and conditions of the 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

“Qinghui Lease”	QINGHUI LEASING Company Limited* (慶匯租賃有限公司), a company established under the laws of the PRC
“Repurchase Price”	the nominal consideration of RMB100 to be paid by the Lessees to Qinghui Lease for the purpose of acquiring the ownership of the Leased Assets upon expiry of the Leased Period pursuant to the Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	holder(s) of the share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“ZhongDi Beijing”	Beijing ZhongDi Stud Livestock Co., Ltd.* (北京中地種畜有限公司), a limited liability company established under the laws of the PRC and an indirect wholly-owned subsidiary of the Company
“ZhongDi Shangdu”	Shangdu ZhongDi Farming Co., Ltd.* (商都中地生態牧場有限公司), a limited liability company established under the laws of the PRC and an indirect wholly-owned subsidiary of the Company
“ZhongDi Technology”	Beijing ZhongDi Livestock Technology Co., Ltd.* (北京中地畜牧科技有限公司), a limited liability company established under the laws of the PRC 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 People’s Republic of China  
2 December 2016

*As at 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.*