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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)**

**MAJOR TRANSACTION  
IN RELATION TO  
FINANCE LEASE ARRANGEMENTS**

**HISTORICAL DISCLOSABLE TRANSACTIONS**

Reference is made to the announcement of the Company dated 13 January 2017 in relation to, amongst others, (i) ZhongDi Langfang (an indirect wholly-owned subsidiary of the Company) and Beijing Bank Leasing entered into the Finance Lease Agreement I, pursuant to which ZhongDi Langfang has agreed to sell the Leased Assets I to Beijing Bank Leasing at a consideration of RMB160 million and Beijing Bank Leasing has agreed to lease back the Leased Assets I to ZhongDi Langfang for a period of 36 months; and (ii) ZhongDi Tianzhen (an indirect wholly-owned subsidiary of the Company) and Beijing Bank Leasing entered into the Finance Lease Agreement II, pursuant to which ZhongDi Tianzhen has agreed to sell the Leased Assets II to Beijing Bank Leasing at a consideration of RMB140 million and Beijing Bank Leasing has agreed to lease back the Leased Assets II to ZhongDi Tianzhen for a period of 36 months.

**MAJOR TRANSACTION**

The Board is pleased to announce that, on 8 October 2018, ZhongDi Helan (an indirect wholly-owned subsidiary of the Company) and Beijing Bank Leasing entered into the Finance Lease Agreement III, pursuant to which ZhongDi Helan has agreed to sell the Leased Assets III to Beijing Bank Leasing at a consideration of RMB200 million and Beijing Bank Leasing has agreed to lease back the Leased Assets III to ZhongDi Helan for a period of 36 months.

## **LISTING RULES IMPLICATIONS**

The Leased Assets Sale I, the Leased Assets Sale II and the Leased Assets Sale III were entered into by the subsidiaries of the Group with the same party, namely Beijing Bank Leasing, and hence they 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, the Leased Assets Sale II and the Leased Assets Sale III, on an aggregated basis, exceeds 25% but is below 75%, such transactions constitute a major transaction of the Company and are subject to the notification, announcement and the shareholders' approval requirement under Chapter 14 of the Listing Rules.

The Leasing Transaction I, the Leasing Transaction II and the Leasing Transaction III were entered into by subsidiaries of the Group with the same party, namely Beijing Bank Leasing and hence they 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, the Leasing Transaction II and the Leasing Transaction III, on an aggregated basis, exceed 100%, such transactions constitute a very substantial acquisition for the Company and are subject to the notification, announcement requirements and the shareholders' approval requirement under Chapter 14 of the Listing Rules. As the transactions contemplated under the Finance Lease Agreements do not involve disposal or acquisition of assets, even if one of the applicable percentage ratios is more than 100%, the transactions shall only constitute a major transaction for the Company pursuant to Chapter 14 of the Listing Rules and are subject to the notification, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the knowledge, information and belief of the Directors and having made all reasonable enquiries, no Shareholder has any interest in the Finance Lease Arrangements and no Shareholder is required to abstain from voting on the resolutions in approving the Finance Lease Arrangements in the general meeting under Rules 2.15 and 2.16 of the Listing Rules.

A circular containing, among other things, further details of the Finance Lease Agreement III and a notice of the EGM will be despatched to the Shareholders on or before 30 October 2018 in accordance with the Listing Rules.

## INTRODUCTION

Reference is made to the announcement of the Company dated 13 January 2017 in relation to, amongst others, the details in relation to the Finance Lease Agreement I and the Finance Lease Agreement II.

The Board is pleased to announce that, on 8 October 2018, ZhongDi Helan (an indirect wholly-owned subsidiary of the Company) and Beijing Bank Leasing entered into the Finance Lease Agreement III, pursuant to which ZhongDi Helan has agreed to sell the Leased Assets III to Beijing Bank Leasing at a consideration of RMB200 million and Beijing Bank Leasing has agreed to lease back the Leased Assets III to ZhongDi Helan for a period of 36 months.

## THE FINANCE LEASE ARRANGEMENT

### The Finance Lease Agreement III

The principal terms of the Finance Lease Agreement III are summarized below:

- Date:** 8 October 2018
- Parties:** *Finance Lease Agreement III*
- (a) ZhongDi Helan as the vendor and lessee of the Leased Assets III; and
  - (b) Beijing Bank Leasing as the purchaser and lessor of the Leased Assets III.
- Leased Assets:** The Leased Assets III under the Finance Lease Agreement III consist of 7,125 dairy cows owned by ZhongDi Helan as at the date of this announcement for its operation of dairy farm in Ningxia Hui Autonomous Region, the PRC.
- General nature:** Pursuant to the Finance Lease Agreement III, ZhongDi Helan has agreed to sell the Leased Assets III to Beijing Bank Leasing at a consideration of RMB200 million and Beijing Bank Leasing has agreed to lease back the Leased Assets III to ZhongDi Helan for a period of 36 months from the Lease Commencement Date.

**Condition Precedent  
to Effectiveness:**

The Finance Lease Agreement III shall take effect upon being signed or sealed by the legal representative or authorized representative of the lessor and the lessee, sealed with company seal or contract seal of both parties, and approved by the Shareholders at a shareholders' meeting of the Company.

**Consideration for  
transfer of the  
Leased Assets III:**

*Finance Lease Agreement III*

The consideration for the transfer of the Leased Assets III from ZhongDi Helan to Beijing Bank Leasing is RMB200 million, which was determined after arm's length negotiations between the parties with reference to the appraised value of the Lease Assets III at an amount of RMB230.50 million as at 30 June 2018.

**Payment of  
consideration for  
transfer of the  
Leased Assets III:**

Pursuant to the Finance Lease Agreement III, payment of the abovementioned consideration under the Finance Lease Agreement III shall be conditional upon the fulfillment of the following conditions:

- (a) the Finance Lease Agreement III having been executed and taken effect, and Beijing Bank Leasing having received the executed version of other legal documents in connection with the Finance Lease Agreement III;
- (b) the lessee under the Finance Lease Agreement III having provided to Beijing Bank Leasing guarantee(s) to its satisfaction;
- (c) the lessee under the Finance Lease Agreement III having provided to Beijing Bank Leasing the documents that Beijing Bank Leasing considers necessary, including but not limited to the ownership certification documents in respect of the relevant Leased Assets owned by the lessee (if available) and the sealed copies of the original purchase document in respect of the Leased Assets III; and

(d) the lessee under the Finance Lease Agreement III having altered the beneficiary of insurance in respect of the Leased Assets III to Beijing Bank Leasing and delivered the certificates of alteration to Beijing Bank Leasing.

The consideration for the transfer of the Leased Assets III shall be paid by Beijing Bank Leasing to the bank account of the lessee under the Finance Lease Agreement III within 10 business days after fulfillment of the abovementioned conditions.

Upon full payment of the abovementioned consideration for transfer of the Leased Assets III in accordance with the terms of the Finance Lease Agreement III, the ownership of the Leased Assets III under the Finance Lease Agreement III shall be transferred to Beijing Bank Leasing accordingly.

**Payment of lease consideration:**

Pursuant to the Finance Lease Agreement III, the Lease Asset III shall be leased back by Beijing Bank Leasing to ZhongDi Helan at the lease consideration of approximately RMB224.79 million, which shall be paid by ZhongDi Helan in installments at intervals of three months commencing from the date on which the consideration for the Leased Assets Sale III is paid in full by Beijing Bank Leasing. Such lease consideration was determined after arm's length negotiations between the parties based on (i) the lease principal in the amount equivalent of the consideration for the Leased Assets Sale III of RMB200 million; and (ii) the lease interest rate.

Pursuant to the Finance Lease Agreement III, the applicable lease interest rate shall be 144% of the benchmark interest rate to be charged for RMB term loans more than one year and less than five years as adopted by the People's Bank of China on the Lease Commencement Date. Written notification shall be given by Beijing Bank Leasing to the lessee pursuant to the relevant Finance Lease Agreement at the time of each adjustment.

**Security deposit:**

Pursuant to the Finance Lease Agreement III, ZhongDi Helan shall pay a security deposit of RMB20 million (free from interests) to Beijing Bank Leasing by no later than the date on which the consideration in respect of the Leased Assets Sale III is paid in full by Beijing Bank Leasing.

If the lessee fails to pay the lease consideration or other liabilities under the Finance Lease Agreement III in time, Beijing Bank Leasing is entitled to deduct the corresponding amount automatically from the security deposit without consent of the lessees. The security deposit shall remain with Beijing Bank Leasing until the liabilities under the Finance Lease Agreement III have been discharged, the remaining amount of which shall be returned to the lessee within 7 days after the relevant Finance Lease Agreement III having been terminated.

**Ownership of  
the Leased Assets:**

Upon expiry of the Lease Period and subject to full payment by the lessee of the entire lease consideration, nominal repurchase price of RMB100 and other fees payable under the Finance Lease Agreement III, Beijing Bank Leasing shall transfer the ownership of the Leased Assets III back to the relevant lessee.

**Early termination:**

Prior to the expiry of the Lease Period, subject to written consent of Beijing Bank Leasing, the lessee is entitled to request for early termination of the Finance Lease Agreement III. In the event that written consent for such early termination has been given by Beijing Bank Leasing, the lessee shall make a one-off payment in full to Beijing Bank Leasing of the followings as agreed under the Finance Lease Agreement III: (i) all of outstanding lease consideration that has been due; (ii) the principal portion of the undue lease consideration; (iii) nominal repurchase price of RMB100; and (iv) a default payment in the amount equivalent to 5% of the consideration for the transfer of the relevant Leased Assets. Upon receipt of all the above payment by Beijing Bank Leasing, the Finance Lease Agreement III shall be terminated, upon which the ownership of the Leased Assets III shall be transferred back to the lessee.

## **Other Relevant Arrangement**

### **Guarantees**

In connection with the Finance Lease Agreement III, on 8 October 2018, (i) ZhongDi Beijing (an indirect wholly-owned subsidiary of the Company); (ii) ZhongDi Farm Technology; (iii) Dairy Group; (iv) Mr. Zhang Jianshe (our Director and the Chairman of the Company); and (v) Ms. Li Jingtao (the spouse of Mr. Zhang Jianshe) and Beijing Bank Leasing entered into guarantee agreements, pursuant to which they shall provide guarantees in favour of Beijing Bank Leasing on a joint and several basis for the liabilities of ZhongDi Helan under the relevant Finance Lease Agreement III.

### **Mortgage**

In connection with the Finance Lease Agreement III on 8 October 2018, ZhongDi Helan and Beijing Bank Leasing entered into a mortgage agreement, pursuant to which ZhongDi Helan shall mortgage the Leased Assets III to secure the performance of the liabilities of ZhongDi Helan under the Finance Lease Agreement III.

## **FINANCIAL EFFECTS OF THE FINANCE LEASE ARRANGEMENTS**

The Finance Lease Arrangements 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 III are estimated to be used to supplement the general working capital of the Group.

## **REASONS FOR AND BENEFITS OF THE FINANCE LEASE ARRANGEMENTS**

The terms of the Finance Lease Arrangements, including, among others things, the lease consideration, security deposit and the asset management service fees, were determined after arm's length negotiations between the parties and with reference to, among other things, the unaudited net book 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 the Finance Lease Arrangements and that the terms of the Finance Lease Arrangements 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 Langfang**

ZhongDi Langfang, an indirect wholly-owned subsidiary of the Company, is a limited liability company established in the PRC and principally engaged in business of raising and breeding dairy cows, crops cultivation and sale, sale of feeds and agriculture technology development.

### **ZhongDi Tianzhen**

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

### **ZhongDi Beijing**

ZhongDi Beijing, 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 dairy cows, agricultural technology development and technology training.

### **ZhongDi Farm Technology**

ZhongDi Farm Technology, an indirect wholly-owned subsidiary of the Company, is a limited liability company established in the PRC and principally engaged in business of import goods and technology.

### **Dairy Group**

Dairy Group, an indirect wholly-owned subsidiary of the Company, is a limited liability company established in the PRC and principally engaged in business of wholesale and retail of pre-packaged food.



## **ZhongDi Helan**

ZhongDi Helan, an indirect wholly-owned subsidiary of the Company, is a limited liability company established in the PRC and principally engaged in business of raising and breeding dairy cows, crops cultivation and sales.

## **Beijing Bank Leasing**

Beijing Bank Leasing is a limited liability company established in the PRC and principally engaged in finance 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, Beijing Bank Leasing and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

## **LISTING RULES IMPLICATIONS**

The Leased Assets Sale I, the Leased Assets Sale II and the Leased Assets Sale III were entered into by the subsidiaries of the Group with the same party, namely Beijing Bank Leasing, and hence they 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, the Leased Assets Sale II and the Leased Assets Sale III, on an aggregated basis, exceeds 25% but is below 75%, such transactions constitute a major transaction of the Company and are subject to the notification, announcement and the shareholders' approval requirement under Chapter 14 of the Listing Rules.

The Leasing Transaction I, the Leasing Transaction II and the Leasing Transaction III were entered into by subsidiaries of the Group with the same party, namely Beijing Bank Leasing and hence they 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, the Leasing Transaction II and the Leasing Transaction III, on an aggregated basis, exceed 100%, such transactions constitute a very substantial acquisition for the Company and are subject to the notification, announcement requirements and the shareholders' approval requirement under Chapter 14 of the Listing Rules. As the transactions contemplated under the Finance Lease Agreements do not involve disposal or acquisition of assets, even if one of the applicable percentage ratios is more than 100%, the transactions shall only constitute a major transaction for the Company pursuant to Chapter 14 of the Listing Rules and are subject to the notification, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the knowledge, information and belief of the Directors and having made all reasonable enquiries, no Shareholder has any interest in the Finance Lease Arrangements and no Shareholder is required to abstain from voting on the resolutions in approving the Finance Lease Arrangements in the general meeting under Rules 2.15 and 2.16 of the Listing Rules.

**A circular containing, among other things, further details of the Finance Lease Agreement III and a notice of the EGM will be despatched to the Shareholders on or before 30 October 2018 in accordance with the Listing Rules.**

## DEFINITIONS

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

“Beijing Bank Leasing”	Bank of Beijing Financial Leasing Co., Ltd.* (北銀金融租賃有限公司), a company established under the laws of the PRC
“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
“Dairy Group”	ZhongDi Dairy Corporation * (中地乳業集團有限公司), a limited liability company established under the laws of the PRC and an indirect wholly-owned subsidiary of the Company
“Director(s)”	director(s) of the Company
“EGM”	an extraordinary general meeting of the Company to be convened for the purpose of considering and approving, the Finance Lease Arrangements
“Finance Lease Agreement I”	the finance lease agreement dated 13 January 2017 entered into between Beijing Bank Leasing (as the purchaser and lessor) and ZhongDi Langfang (as the vendor and lessee) in respect of the sale and leaseback of the Leased Assets I

“Finance Lease Agreement II”	the finance lease agreement dated 13 January 2017 entered into between Beijing Bank Leasing (as the purchaser and lessor) and ZhongDi Tianzhen (as the vendor and lessee) in respect of the sale and leaseback of the Leased Assets II
“Finance Lease Agreement III”	the finance lease agreement dated 8 October 2018 entered into between Beijing Bank Leasing (as the purchaser and lessor) and ZhongDi Helan (as the vendor and lessee) in respect of the sale and leaseback of the Leased Assets III
“Finance Lease Agreements”	collectively, the Finance Lease Agreement I, the Finance Lease Agreement II and the Finance Lease Agreement III
“Finance Lease Arrangements”	the arrangements in relation to the sale and leaseback of the Leased Assets pursuant to the Finance Lease Agreements
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Lease Period”	the period of 36 months from the Lease Commencement Date (inclusive of the Lease Commencement Date and exclusive of the expiry date)
“Leased Assets Sale I”	the sale of the Leased Assets I by ZhongDi Langfang to Beijing Bank Leasing pursuant to the terms and conditions of the Finance Lease Agreement I
“Leased Assets Sale II”	the sale of the Leased Assets II by ZhongDi Tianzhen to Beijing Bank Leasing pursuant to the terms and conditions of the Finance Lease Agreement II
“Leased Assets Sale III”	the sale of the Leased Assets III by ZhongDi Helan to Beijing Bank Leasing pursuant to the terms and conditions of the Finance Lease Agreement III
“Leased Assets”	collectively, the Leased Assets I, the Leased Assets II and the Leased Assets III

“Leased Assets I”	6,293 dairy cows owned by ZhongDi Langfang which were transferred by ZhongDi Langfang to Beijing Bank Leasing and leased back by Beijing Bank Leasing to ZhongDi Langfang as further described in the Finance Lease Agreement I
“Leased Assets II”	5,295 dairy cows owned by ZhongDi Tianzhen which were transferred by ZhongDi Tianzhen to Beijing Bank Leasing and leased back by Beijing Bank Leasing to ZhongDi Tianzhen as further described in the Finance Lease Agreement II
“Leased Assets III”	7,125 dairy cows owned by ZhongDi Helan as at the date of this announcement to be transferred by ZhongDi Helan to Beijing Bank Leasing and leased back by Beijing Bank Leasing to ZhongDi Helan as further described in the Finance Lease Agreement III
“Lease Commencement Date”	the date on which the consideration for the Leased Assets Sale III is paid in full by Beijing Bank Leasing, subject to the terms and conditions of the Finance Lease Agreement III
“Leasing Transaction I”	the leasing of the Leased Assets I by ZhongDi Langfang from Beijing Bank Leasing pursuant to the terms and conditions of the Finance Lease Agreement I
“Leasing Transaction II”	the leasing of the Leased Assets II by ZhongDi Tianzhen from Beijing Bank Leasing pursuant to the terms and conditions of the Finance Lease Agreement II
“Leasing Transaction III”	the leasing of the Leased Assets III by ZhongDi Helan from Beijing Bank Leasing pursuant to the terms and conditions of the Finance Lease Agreement III
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China
“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 Farm Technology”	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 Helan”	Helan ZhongDi Farming Co., Ltd.* (賀蘭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 Langfang”	Langfang ZhongDi Farming Co., Ltd.* (廊坊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 Tianzhen”	TianzhenZhongDi Farming Co., Ltd.* (天鎮中地生態牧場有限公司), a limited liability company established under the laws of the PRC and an indirectly 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  
8 October 2018

*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*