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Huishan

CHINA HUIZHAN DAIRY HOLDINGS COMPANY LIMITED

中國輝山乳業控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 06863)

**DISCLOSEABLE TRANSACTION
FINANCE LEASE AGREEMENT**

On 29 April 2016, Liaoning Huishan Group (as the vendor and lessee) entered into the Finance Lease Agreement with Guangdong Yuexin (as the purchaser and lessor). According to the Finance Lease Agreement, the Leased Assets shall be finance leased for a term commencing from the effective date of the Finance Lease Agreement and expiring on 30 April 2021 (both dates inclusive). The effective date of the Finance Lease Agreement is the date when Liaoning Huishan Group receives the consideration of RMB1 billion (approximately HK\$1.2 billion) paid by Guangdong Yuexin for the purchase of the Leased Assets.

In accordance with the Listing Rules, as the applicable percentage ratio (as defined under the Listing Rules) exceeds 5% but is less than 25%, transactions contemplated under the Finance Lease Agreement constitute discloseable transactions of the Company and are subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules, but are exempted from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

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Principal terms of the Finance Lease Agreement are set out below:

Date: 29 April 2016

Parties: (1) Liaoning Huishan Group (as vendor and lessee)
(2) Guangdong Yuexin (as purchaser and lessor)

Subject of the lease: Leased Assets

The estimated value of the Leased Assets was approximately RMB2 billion (approximately HK\$2.4 billion). The estimated value was agreed and considered fair and reasonable by parties to the Finance Lease Agreement.

Principal amount of lease and interest: In accordance with the Finance Lease Agreement, Liaoning Huishan Group will sell the Leased Assets to Guangdong Yuexin at a cash consideration of RMB1 billion (approximately HK\$1.2 billion).

Upon acquisition of the Leased Assets, Guangdong Yuexin shall lease the same to Liaoning Huishan Group with an aggregate principal amount of lease of RMB1 billion. Liaoning Huishan Group shall repay the initial principal amount of lease of RMB100 million (approximately HK\$120 million) on 30 January 2017 and repay a principal amount of lease of RMB50 million (approximately HK\$60.06 million) to Guangdong Yuexin on the 30th day of every three months thereafter for 18 instalments. The repayment of the principal amount of lease for the last instalment will be RMB100 million (approximately HK\$120 million). Interest on the lease shall be paid together with the principal amount of lease on the relevant date of repayment, with calculations set out as follows:

Lease interest of each instalment = (principal amount of lease – repaid principal amount of lease) × annualized interest rate × (number of interest-bearing days/365)

The annualized interest rate is a fixed interest rate of not exceeding 6.2% per year. Interest shall accrue from the effective date of the Finance Lease Agreement. The principal amount of the lease and interest were agreed and arrived at after arm's length negotiation between parties to the Finance Lease Agreement.

Transactions contemplated under the Finance Lease Agreement will not have any immediate impact (which is material) on the Group's profit and loss statement and there will be no net change on the Group's balance sheet.

Security deposit: Liaoning Huishan Group shall pay a security deposit of RMB25 million (approximately HK\$30 million) to Guangdong Yuexin. The security deposit shall be paid together with the first lease instalment at the same time.

Ownership of the Leased Assets: During the lease period, the ownership of the Leased Assets is vested in Guangdong Yuexin. Actual delivery of the Leased Assets by Liaoning Huishan Group to Guangdong Yuexin is not required and the Leased Assets shall be possessed, managed and used by Liaoning Huishan Group.

Upon expiry of the lease term or early termination of the Finance Lease Agreement, Liaoning Huishan Group is entitled to acquire the ownership of the Leased Assets at a repurchase price of RMB1.0 (approximately HK\$1.2).

Pledge: Upon the Finance Lease Agreement coming into effect, Liaoning Huishan Group shall pledge the insurance policy taken out for the Leased Assets to Guangdong Yuexin.

INFORMATION OF THE PARTIES

The Company is a leading and the most vertically integrated dairy company in the PRC. Its business model covers the entire dairy value chain from growing and processing of alfalfa and supplementary feeds and the processing of concentrated feeds to dairy farming. The brand history can be traced back to the early 1950s of the “Huishan” brand for dairy production and sales. Liaoning Huishan is an indirect wholly-owned subsidiary of the Company which, together with its subsidiaries, are principally engaged in production of dairy products.

Guangdong Yuexin was established in August 2013 at the approval of the People’s Government of Guangdong Province. It is a wholly-owned subsidiary of Guangdong Finance Investment International Co., Ltd* (粵財控股香港國際有限公司), a company which is the Hong Kong arm of Guangdong Yuecai Investment Holdings Limited Company* (廣東粵財投資控股有限公司), and its principal business is provision of financial services mainly involved finance lease.

To the best of knowledge, information and belief of the Directors, having made all reasonable enquiries, Guangdong Yuexin and its ultimate beneficial owner are third parties independent of the Company and its connected persons.

REASONS FOR AND BENEFITS OF THE TRANSACTION

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 Finance Lease Agreement. The Directors consider that the terms of the Finance Lease Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

In accordance with the Listing Rules, as the applicable percentage ratio (as defined under the Listing Rules) exceeds 5% but is less than 25%, transactions contemplated under the Finance Lease Agreement constitute discloseable transactions of the Company and are subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules, but are exempted 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:

“Board”	the board of Directors of the Company
“Company”	China Huishan Dairy Holdings Company Limited (中國輝山乳業控股有限公司), 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
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“HK\$”	the lawful currency of the Hong Kong Special Administrative Region of the PRC
“Finance Lease Agreement”	the finance lease agreement dated 29 April 2016 entered into between Liaoning Huishan Group and Guangdong Yuexin
“Guangdong Yuexin”	Guangdong Yuexin Finance Lease Company Limited* (廣東粵信融資租賃有限公司), a company established under the laws of the PRC with limited liability
“Liaoning Huishan”	Liaoning Huishan Dairy Group Co., Ltd., a company established under the laws of the PRC with limited liability and an indirect wholly-owned subsidiary of the Company as at the date of this announcement
“Liaoning Huishan Group”	Liaoning Huishan and its twelve wholly-owned subsidiaries, being the vendor and lessor of the Finance Lease Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	holders of share(s) in issue of the Company

“Leased Assets”	approximately 50,000 dairy cows owned by the Group as at the date of this announcement, and replacement and culling of dairy cows will be carried out regularly by the Group during the term of lease according to the terms of the Finance Lease Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

For illustrative purpose, the exchange rate of RMB1:HK\$1.2011 has been used in this announcement. No representation is made that any amounts in RMB can be converted to HK\$ at the above rate or at all.

** For identification purposes only*

By order of the Board
China Huishan Dairy Holdings Company Limited
Yang Kai
Chairman

Shenyang, 29 April 2016

As at the date of this announcement, the Board of the Company comprises Mr. Yang Kai, Ms. Ge Kun, Mr. So Wing Hoi, Mr. Xu Guangyi and Mr. Kwok Hok Yin as executive Directors; Mr. Li Kar Cheung as a non-executive Director; Mr. Kan Yu Leung Peter, Mr. Song Kungang, Mr. Gu Ruixia and Mr. Tsui Kei Pang as independent non-executive Directors.