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中国地利集团
China Dili Group

(formerly known as Renhe Commercial Holdings Company Limited 人和商業控股有限公司)*

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1387)

ANNOUNCEMENT

CONTINUING CONNECTED TRANSACTION AMENDMENT TO THE LOAN AGREEMENT

References are made to the announcement of the Company dated 29 August 2019 and the circular of the Company dated 30 September 2019 in relation to, among other things, the Loan Agreement and the transactions contemplated thereunder.

AMENDMENT TO THE LOAN AGREEMENT

As a response to the recent outbreak of the novel coronavirus across the PRC, attempts have been made by the PRC Government to prop up the economy, including the reduction of benchmark lending rate by the PBOC, and the promulgation of supportive measures to support businesses severely affected by the epidemic in China, including encouraging major banks to lend to those enterprises whose businesses and operations are disrupted or affected by the epidemic.

Based on the aforesaid, the Board announces that, on 13 March 2020, after trading hours, Harbin Dili (a wholly-owned subsidiary of the Company) and Dili Fresh (a wholly-owned subsidiary of the Target Company) have entered into the Supplemental Agreement, pursuant to which the parties agreed to amend the Loan Agreement such that, Harbin Dili or members of the Group may provide guarantees at the requests of third-party banks in respect of the bank loans which Dili Fresh or the Target Group may obtain from third-party banks from time to time, at a guarantee fee chargeable to Dili Fresh or the Target Group which shall be the higher of (a) 2% per annum; and (b) the difference between 6% per annum and the actual interest rate per annum on which Dili Fresh or the Target Group borrows from third-party banks. The amount guaranteed by Harbin Dili or the Group and the principal amount of the Loan outstanding in aggregate shall not exceed RMB2 billion.

LISTING RULES IMPLICATIONS

Dili Fresh is a wholly-owned subsidiary of the Target Company, of which 19% is owned by Yield Smart (a wholly-owned subsidiary of the Company) and 81% is owned by Plenty Business, which is directly wholly-owned by Mr. Dai (the controlling shareholder of the Company), and hence, is a connected person of the Company. As a result, the entering into of the Supplemental Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

The Supplemental Agreement constitutes a material amendment to the Loan Agreement which is a continuing connected transaction of the Company and non-exempt financial assistance to Plenty Business and the Target Company which was approved by Independent Shareholders at the extraordinary general meeting of the Company held on 29 October 2019. As one or more of applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the proposed annual caps for (a) the aggregate of the principal amount of the Loan outstanding and the guaranteed amount and (b) the aggregate of the interest amount and guarantee fee accruing under the Loan Agreement as amended by the Supplemental Agreement exceeds 5%, the Supplemental Agreement and the proposed annual caps are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Mr. Dai and his associates are required to abstain from voting on the resolution(s) approving the Supplemental Agreement and the proposed annual caps at the EGM.

GENERAL INFORMATION

Independent Board Committee

The Independent Board Committee comprising all of the independent non-executive Directors of the Company is established to advise the Independent Shareholders as to whether the terms and conditions of the Supplemental Agreement are on normal commercial terms or better, fair and reasonable, in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole, and to make a recommendation to the Independent Shareholders on how to vote, taking into account the advice from an independent financial adviser. None of the members of the Independent Board Committee is directly or indirectly interested or involved in the Supplemental Agreement and transactions contemplated thereunder.

Independent Financial Adviser

With the approval of the Independent Board Committee, the Company will appoint independent financial adviser in due course and to make recommendations to the Independent Board Committee and the Independent Shareholders as to whether the terms and conditions of the Supplemental Agreement are on normal commercial terms or better, fair and reasonable, in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote.

EGM AND DESPATCH OF CIRCULAR

The EGM will be convened at which ordinary resolution(s) will be proposed to the Independent Shareholders to consider, and, if thought fit, to approve the Supplemental Agreement and the proposed annual caps. Mr. Dai (the controlling shareholder of the Company) and his associates will abstain, and any person who has a material interest in the Supplemental Agreement is required to abstain, from voting on the relevant resolution(s) at the EGM.

Save for Mr. Dai Bin who has abstained from voting on the relevant Board resolution(s) by virtue of being an associate of Mr. Dai, to the best knowledge of the Company and having made all reasonable enquiries, no other Director is in any way materially interested in the Supplemental Agreement and is required to abstain from voting on the relevant Board resolution(s) at the Board meeting.

A circular containing, amongst other information, (i) details of the Supplemental Agreement; (ii) a letter of advice from the Independent Board Committee to the Independent Shareholders as to whether the terms and conditions of the Supplemental Agreement are on normal commercial terms or better, fair and reasonable, in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote, taking into account the recommendations from an independent financial adviser; (iii) a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders; and (iv) a notice of the EGM, is expected to be despatched to the Shareholders on or before 7 April 2020, in order to allow the Company sufficient time to prepare the circular.

WARNING

Shareholders and investors should note that the Supplemental Agreement is subject to the satisfaction of the conditions as stated in the section headed “Amendment to the Loan Agreement — The Supplemental Agreement — Conditions precedent” and therefore the Supplemental Agreement may or may not proceed. As such, Shareholders and potential investors are urged to exercise caution when dealing in the Shares.

INTRODUCTION

References are made to the announcement of the Company dated 29 August 2019 and the circular of the Company dated 30 September 2019 in relation to, among other things, the Loan Agreement and the transactions contemplated thereunder.

RECENT DEVELOPMENTS RELATING TO CORONAVIRUS OUTBREAK

Reduction of lending rates in the PRC to support the economy

As a response to the recent outbreak of the novel coronavirus across the PRC, attempts have been made to prop up the economy. The PRC government has issued multiple financial policies and measures on the epidemic prevention and control, to ensure uninterrupted financial services and stabilize market expectations. In order to provide additional liquidity, on 20 February 2020, the PBOC announced a lower benchmark lending rate, the one-year loan prime rate to 4.05% and the five-year loan prime rate to 4.75% to ease lending conditions. Major banks have followed suit to reduce their prime lending rates and as a result, the finance costs in the PRC has been reduced in general.

Loans to targeted industries and businesses

In addition to the reduction of lending rates, the PRC Government has promulgated various measures to support businesses severely affected by the epidemic, including encouraging major banks to lend to key protective enterprises which engaged in businesses of, among others, supply of daily necessities, with the goal to scale up financial support to meet companies' legitimate funding needs, and provide targeted financial services for epidemic control, production resumption and growth of the real economy. Banks are encouraged to lend to the companies whose businesses and operations are disrupted or affected by the epidemic at a discounted interest rate. As Dili Fresh and its subsidiaries engage in the supply of fresh food produce during the outbreak, the Target Group is entitled to apply for such bank loans and is expected to be granted with such loans as part of the aforesaid measures.

As the Target Group operates on an asset-light business model with its retail shops primarily being leased properties, the lending banks may request for corporate guarantees to be provided in support of bank loans to be granted to the Target Group.

AMENDMENT TO THE LOAN AGREEMENT

The Loan Agreement

As disclosed in the Circular, Harbin Dili (a wholly-owned subsidiary of the Company) as lender and Dili Fresh (a wholly-owned subsidiary of the Target Company) as borrower, entered into the Loan Agreement on 29 August 2019, pursuant to which Harbin Dili has agreed to make available to Dili Fresh a revolving loan facility for the principal amount of not exceeding RMB2 billion subject to the terms and conditions thereunder. The rate of interest applicable to the Loan or any outstanding balance thereof shall be the higher of (a) 6% per annum; and (b) the interest rate(s) at which Harbin Dili or the Group borrows from third-party banks. The Loan was secured by share charges and guarantees from Mr. Dai and his wholly-owned company, Plenty Business.

The Supplemental Agreement

Based on the aforesaid reduction of interest rates in the PRC lending market and in view of the supportive measures on availability of loans, on 13 March 2020, after trading hours, Harbin Dili and Dili Fresh entered into the Supplemental Agreement, pursuant to which the parties agreed to amend the Loan Agreement such that, Harbin Dili or members of the Group may provide guarantees at the requests of third-party banks in respect of the bank loans which Dili Fresh or the Target Group may obtain from third-party banks from time to time, at a guarantee fee chargeable to Dili Fresh or the Target Group which shall be the higher of (a) 2% per annum; and (b) the difference between 6% per annum and the actual interest rate per annum on which Dili Fresh or the Target Group borrows from third-party banks. The guarantee fee is determined with reference to our study and research regarding the practice of certain institutions providing guarantee services in the PRC market. The amount guaranteed by Harbin Dili or the Group and the principal amount of the Loan outstanding in aggregate shall not exceed RMB2 billion. If the guarantees provided by the Group are enforced by third-party banks, the Target Group shall indemnify the Group for its guaranteed obligations, failing which, the Group may enforce the share charges and guarantees against Plenty Business and Mr. Dai which secure obligations of the Target Group under the Supplemental Agreement as back to back security.

Conditions precedent

The Supplemental Agreement is conditional upon, among others, (i) the passing of the resolution(s) by the Independent Shareholders at the EGM approving the amendment to be made pursuant to the Supplemental Agreement and the transactions contemplated thereunder; and (ii) the satisfaction of the Board on the potential impact on the cash-flow position arises from contingent liabilities, taking into account the financial condition of the Group as a whole at the time of receipt of the guarantee request(s) from Dili Fresh.

Save as amended by the Supplemental Agreement, all other terms and conditions of the Loan Agreement shall apply mutatis mutandis.

Proposed Annual Caps

The original annual caps in connection for the Loan were approved by the Independent Shareholders in the extraordinary general meeting of the Company held on 29 October 2019, the amount of which will remain the same and not revised but the scope will be aligned with the subject matter of the Supplemental Agreement. Accordingly, the proposed annual caps for (a) the aggregate of the principal amount outstanding under the Loan and the guaranteed amount and (b) the aggregate of the interest amount accruing under the Loan and the guarantee fee are as follows:

	Financial year ending 31 December			
	2020	2021	2022	2023
(a) Proposed annual caps for the aggregate of the principal amount of the Loan outstanding and the guaranteed amount	RMB2 billion	RMB2 billion	RMB2 billion	RMB2 billion
(b) Proposed annual caps for the aggregate of the interest amount and guarantee fee (Note)	RMB200 million	RMB200 million	RMB200 million	RMB200 million

Note: The proposed annual caps in (b) for the aggregate of the interest amount and guarantee fee are calculated by assuming the proposed annual cap in (a) for the aggregate of the principal amount of the Loan outstanding and guaranteed amount during the relevant financial year will be fully utilised and by using a maximum rate of 10% p.a. (applicable to interest rate and rate of guarantee fee), with reasonable buffer built in to account for any unforeseeable circumstances which may give rise to an increase thereto.

The proposed annual caps are determined by taking into account: (i) the maximum amount of financial assistance available comprising drawdown under the Loan and provision of guarantee; (ii) the interest rate applicable to the Loan under the Loan Agreement; (iii) the guarantee fee applicable as stipulated in the Supplemental Agreement; (iv) the historical highest interest rate charged by third-party banks in the PRC in advances drawn by members of the Group in PRC; (v) our study and research regarding the practice of certain institutions providing guarantee services in the PRC market and (vi) a reasonable buffer to account for any unforeseeable circumstances which may give rise to an increase in the interest rates.

INFORMATION OF THE PARTIES

The Group is principally engaged in business operations of 10 agriculture wholesale markets in 7 cities in the PRC namely Shouguang, Guiyang, Harbin, Qiqihar, Mudanjiang, Shenyang and Hangzhou, which provide trading platforms for traders, wholesalers and distributors to buy and sell primarily vegetables and also fruits, seafood, meat, grain and oil and other food produce. Harbin Dili is a company incorporated in the PRC which is wholly-owned by the Company.

Dili Fresh is a company incorporated in the PRC which is wholly-owned by the Target Company. As at the date of this announcement, the Target Company is owned as to 19% by Yield Smart (a wholly-owned subsidiary of the Company) and 81% by Plenty Business, which is directly wholly-owned by Mr. Dai (the controlling shareholder of the Company), and hence, is a connected person of the Company.

REASONS FOR AND BENEFITS OF ENTERING INTO THE SUPPLEMENTAL AGREEMENT

As disclosed in the Circular, the business operated by the Target Company and its subsidiaries is the retailing business of agricultural produce across China through the supermarket chain “Dili Fresh”, the wholesaling of agricultural produce, as well as fresh food chain business and supply chain and logistics management. The Target Group engages retailing business to customers either through its self-operated retail stores or franchise stores operated by the franchisees.

In view of the recent developments arising from the outbreak of coronavirus as aforesaid, details of which are set out in the section headed “Recent Developments Relating to Coronavirus Outbreak” above, the Group has agreed to provide guarantee to Dili Fresh or the Target Group to enable Dili Fresh or the Target Group to obtain external loans and credit facilities from third-party banks and to benefit from the aforesaid supportive measures. In return, Dili Fresh will pay a guarantee fee to the Group for the provision of the guarantee with reference to our study and research regarding the practice of certain institutions providing guarantee services in the PRC market. As such, Harbin Dili and Dili Fresh have entered into the Supplemental Agreement. Given the total financial assistance, comprising the amount guaranteed and the principal amount of the Loan outstanding shall not in aggregate exceed RMB2 billion, the amount available to be drawn down under the Loan will be reduced if and when guarantees have been given upon request.

In addition, given that one of the conditions precedent for provision of guarantee is the Board’s satisfaction of potential impact on the cash-flow position arises from contingent liabilities, taking into account the financial condition of the Group as a whole at the time of receipt of the request for guarantee, the Group will not be obliged to provide the guarantee in circumstances where the provision of the guarantee will result in the Group having insufficient working capital for its own operations and/or a material adverse impact on the Group’s gearing ratio as a result of higher leverage.

The entering into the Supplemental Agreement also represents an affirmation by both parties of the existing business relationship, indicating the determination and confidence of both parties to continue the cooperation in the fresh food retailing business. As previously disclosed in the Circular, the Loan represents financial support by the Group. It is not the

commercial objective of the Group to earn through levying a margin on the interest rate of the Loan, as the potential growth of the Target Group's business is expected to present and release a much greater value to the Group than the interest margin. Furthermore, as a risk management measure, the Group has back-to-back security from Mr. Dai in the form of share charges and guarantees which the Group may enforce in the event where the Group is called upon by third-party banks to fulfill its guaranteed obligations for the Target Group and the Target Group defaults under the Supplemental Agreement.

In light of the above, the Directors (excluding all independent non-executive Directors whose view will be contained in the circular), and with interested Director(s) abstaining, are of the view that the terms of the Supplemental Agreement (including the proposed annual caps) which have been reached after arm's length negotiations among the parties, are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. The opinion of the Independent Board Committee, after taking into account the advice from an independent financial adviser, will be contained in a circular to be despatched to the Shareholders.

LISTING RULES IMPLICATIONS

Dili Fresh is a wholly-owned subsidiary of the Target Company, of which 19% is owned by Yield Smart (a wholly-owned subsidiary of the Company) and 81% is owned by Plenty Business, which is directly wholly-owned by Mr. Dai (the controlling shareholder of the Company), and hence, is a connected person of the Company. As a result, the entering into of the Supplemental Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

The Supplemental Agreement constitutes a material amendment to the Loan Agreement which is a continuing connected transaction of the Company and non-exempt financial assistance to Plenty Business and the Target Company which was approved by Independent Shareholders at the extraordinary general meeting of the Company held on 29 October 2019. As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the proposed annual caps for (a) the aggregate of the principal amount of the Loan outstanding and the guaranteed amount and (b) the aggregate of the interest amount and guarantee fee accruing under the Loan Agreement as amended by the Supplemental Agreement exceeds 5%, the Supplemental Agreement and the proposed annual caps are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Mr. Dai and his associates are required to abstain from voting on the resolution(s) approving the Supplemental Agreement and the proposed annual caps at the EGM.

GENERAL INFORMATION

Independent Board Committee

The Independent Board Committee comprising all of the independent non-executive Directors of the Company is established to advise the Independent Shareholders as to whether the terms and conditions of the Supplemental Agreement are on normal commercial terms or better, fair and reasonable, in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole, and to make a recommendation to the Independent Shareholders on how to vote, taking into account the

advice from an independent financial adviser. None of the members of the Independent Board Committee is directly or indirectly interested or involved in the Supplemental Agreement and transactions contemplated thereunder.

Independent Financial Adviser

With the approval of the Independent Board Committee, the Company will appoint independent financial adviser in due course and to make recommendations to the Independent Board Committee and the Independent Shareholders as to whether the terms and conditions of the Supplemental Agreement are on normal commercial terms or better, fair and reasonable, in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote.

EGM AND DESPATCH OF CIRCULAR

The EGM will be convened at which ordinary resolution(s) will be proposed to the Independent Shareholders to consider, and, if thought fit, to approve the Supplemental Agreement and the proposed annual caps. Mr. Dai (the controlling shareholder of the Company) and his associates will abstain, and any person who has a material interest in the Supplemental Agreement is required to abstain, from voting on the relevant resolution(s) at the EGM.

Save for Mr. Dai Bin who has abstained from voting on the relevant Board resolution(s) by virtue of being an associate of Mr. Dai, to the best knowledge of the Company and having made all reasonable enquiries, no other Director is in any way materially interested in the Supplemental Agreement and is required to abstain from voting on the relevant Board resolution(s) at the Board meeting.

A circular containing, amongst other information, (i) details of the Supplemental Agreement; (ii) a letter of advice from the Independent Board Committee to the Independent Shareholders as to whether the terms and conditions of the Supplemental Agreement are on normal commercial terms or better, fair and reasonable, in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote, taking into account the recommendations from an independent financial adviser; (iii) a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders; and (iv) a notice of the EGM, is expected to be despatched to the Shareholders on or before 7 April 2020, in order to allow the Company sufficient time to prepare the circular.

WARNING

Shareholders and investors should note that the Supplemental Agreement is subject to the satisfaction of the conditions as stated in the section headed “Amendment to the Loan Agreement — The Supplemental Agreement — Conditions precedent” and therefore the Supplemental Agreement may or may not proceed. As such, Shareholders and potential investors are urged to exercise caution when dealing in the Shares.

DEFINITIONS

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

“associate(s)”	has the same meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Circular”	the circular of the Company dated 30 September 2019 in relation to, among other things, the Loan Agreement
“Company”	China Dili Group (Stock Code: 1387), a company incorporated in the Cayman Islands whose members’ liability is limited, the shares of which are listed on the Stock Exchange
“connected person(s)”	has the same meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the same meaning ascribed to it under the Listing Rules
“Dili Fresh”	哈爾濱地利生鮮農產品企業管理有限公司 (Harbin Dili Fresh Agricultural Produce Enterprise Management Co., Ltd.**), a company incorporated in the PRC which is wholly-owned by the Target Company
“Director(s)”	the director(s) of the Company
“EGM”	an extraordinary general meeting of the Company at which, among others, the terms of the Supplemental Agreement and the proposed annual caps will be considered, and if thought fit, approved by the Independent Shareholders
“Group”	the Company and its subsidiaries from time to time
“Harbin Dili”	哈爾濱地利農副產品有限公司 (Harbin Dili Agricultural Produce and Side Products Co., Ltd.**), a company incorporated in the PRC which is wholly-owned by the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	independent board committee established by the Company consisting of all independent non-executive Directors

“Independent Shareholder(s)”	Shareholders other than Mr. Dai and his associates and any person who is involved in, or interested in, the Supplemental Agreement, who are entitled to attend and vote at the relevant general meeting of the Company under the applicable laws and regulations and the articles of association of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan”	a revolving loan up to the principal amount of RMB2 billion
“Loan Agreement”	the loan agreement dated 29 August 2019 entered into between Harbin Dili (as lender) and Dili Fresh (as borrower) in relation to the Loan
“Mr. Dai”	Mr. Dai Yongge, the controlling shareholder (as defined in the Listing Rules) of the Company. As at the date of this announcement, Mr. Dai (together with his associates) are interested in approximately 51.49% in the total issued share capital of the Company
“Mr. Dai Bin”	the Chief Executive Officer of the Company and executive Director and son of Mr. Dai
“PBOC”	the People’s Bank of China, the central bank of the PRC
“Plenty Business”	Plenty Business Holdings Limited, a company incorporated in the British Virgin Islands with limited liability, which is directly wholly owned by Mr. Dai
“PRC” or “China”	the People’s Republic of China which, for the purpose of this circular, excludes Hong Kong, Macao Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	holders of the Shares
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Agreement”	the agreement dated 13 March 2020 entered into between Harbin Dili and Dili Fresh to amend the Loan Agreement

“Target Company”	Million Master Investment Limited, a company incorporated in the British Virgin Islands with limited liability which is owned as to 19% by Yield Smart and 81% by Plenty Business
“Target Group”	the Target Company and its subsidiaries
“Yield Smart”	Yield Smart Limited, a company incorporated in the British Virgin Islands with limited liability which is a directly wholly-owned subsidiary of the Company
“%”	per cent.

By Order of the Board
China Dili Group
Wang Yan
Chairman

Hong Kong, 13 March 2020

As at the date of this announcement, the Board comprises Mr. Wang Yan and Mr. Dai Bin as executive directors; Mr. Yin Jianhong and Ms. Yang Yuhua as non-executive directors; and Mr. Fan Ren-Da, Anthony, Mr. Wang Yifu, Mr. Leung Chung Ki and Mr. Tang Hon Man as independent non-executive directors.

* *For identification purpose only*

** *English names are direct transliteration of the Chinese names and for reference only*