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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 TRANSACTION

PROVISION OF COUNTER GUARANTEE TO CHINA UNITED GUARANTEE

On 3 July 2017, (i) the Company, as the counter guarantor, entered into the Counter Guarantee Agreement with China United Guarantee, pursuant to which the Company agreed to provide the counter guarantee in favour of China United Guarantee for the Counter Guaranteed Amount; (ii) ZhongDi Farm, as the pledgor, entered into the Share Pledge Agreement with China United Guarantee, as the pledgee, pursuant to which ZhongDi Farm agreed to pledge its entire shareholding interest in ZhongDi Stud Livestock to China United Guarantee as the security for the Counter Guaranteed Amount; (iii) each of Beijing ZhongDi Farm, Helan ZhongDi Farm, Langfang ZhongDi Farm, Tianjin ZhongDi Farm and Tianzhen ZhongDi Farm, as the mortgagors, entered into the Equipment Mortgage Agreement with China United Guarantee, as the mortgagee, pursuant to which, each of the mortgagors agreed to mortgage certain equipment owned by itself to China United Guarantee as the security for the Counter Guaranteed Amount; and (iv) Mr. Zhang Jianshe and Ms. Li Jingtao, as the counter guarantors, entered into the Counter Guarantee Contract with China United Guarantee, pursuant to which Mr. Zhang Jianshe and Ms. Li Jingtao agreed to provide the counter guarantee in favour of China United Guarantee for the Counter Guaranteed Amount.

As the highest applicable percentage ratio in respect of the Counter Guarantee Arrangements is more than 5% but less than 25%, the Counter Guarantee Arrangements constitute a discloseable transaction of the Company and are subject to the notification and announcement requirements but are exempt from the Shareholders' approval requirement under Chapter 14 of the Listing Rules.

INTRODUCTION

On 3 July 2017, ZhongDi Stud Livestock, as the borrower, entered into the Loan Agreement with Jiangsu Bank (Beijing), as the lender, pursuant to which Jiangsu Bank (Beijing) agreed to grant a loan in the principal amount of RMB200,000,000 to ZhongDi Stud Livestock for a period of up to eight years commencing from the date of the loan being granted under the Loan Agreement.

In order to secure the payment obligations and liabilities of ZhongDi Stud Livestock under the Loan Agreement, on 3 July 2017, ZhongDi Stud Livestock entered into the Guarantee Service Agreement with China United Guarantee, pursuant to which China United Guarantee agreed to execute the Guarantee in favour of Jiangsu Bank (Beijing) and ZhongDi Stud Livestock agreed to pay guarantee fees to China United Guarantee on an annual basis, which shall be calculated by multiplying the outstanding loan amount under the Loan Agreement each year by a fixed guarantee fee rate of 1.6%. Pursuant to the Guarantee Service Agreement, ZhongDi Stud Livestock shall also arrange or procure the arrangement of the Counter Guarantee Arrangements in favour of China United Guarantee.

In connection with and pursuant to the Guarantee Service Agreement, on 3 July 2017, the Guarantee was executed by China United Guarantee, as the guarantor, in favour of Jiangsu Bank (Beijing), as the beneficiary, pursuant to which China United Guarantee agreed to provide guarantee for the payment obligations and liabilities of ZhongDi Stud Livestock under the Loan Agreement, which includes payment of the principal amount, interest to be accrued under the Loan Agreement, penalty, damages, compensation and other related fees and expenses (if any) payable by ZhongDi Stud Livestock under the Loan Agreement.

In connection with and pursuant to the Guarantee Service Agreement, on 3 July 2017, (i) the Company, as the counter guarantor, entered into the Counter Guarantee Agreement with China United Guarantee, pursuant to which the Company agreed to provide the counter guarantee in favour of China United Guarantee for the Counter Guaranteed Amount; (ii) ZhongDi Farm, as the pledgor, entered into the Share Pledge Agreement with China United Guarantee, as the pledgee, pursuant to which ZhongDi Farm agreed to pledge its entire shareholding interest in ZhongDi Stud Livestock to China United Guarantee as the security for the Counter Guaranteed Amount; (iii) each of Beijing ZhongDi Farm, Helan ZhongDi Farm, Langfang ZhongDi Farm, Tianjin ZhongDi Farm and Tianzhen ZhongDi Farm, as the mortgagors, entered into the Equipment Mortgage Agreement with China United Guarantee, as the mortgagee, pursuant to which each of the mortgagors agreed to mortgage certain equipment owned by itself to China United Guarantee as the security for the Counter Guaranteed Amount; and (iv) Mr. Zhang Jianshe and Ms. Li Jingtao, as the counter guarantors, entered into the Counter Guarantee Contract with China United Guarantee, pursuant to which Mr. Zhang Jianshe and Ms. Li Jingtao agreed to provide the counter guarantee in favour of China United Guarantee for the Counter Guaranteed Amount. The principal terms of the Counter Guarantee Arrangements are set out in the section headed “THE COUNTER GUARANTEE ARRANGEMENTS” below.

THE COUNTER GUARANTEE ARRANGEMENTS

I. The Counter Guarantee Agreement

The principal terms of the Counter Guarantee Agreement are summarized below:

- Date** : 3 July 2017
- Parties** : (1) The Company as the counter guarantor;
(2) ZhongDi Stud Livestock as the debtor; and
(3) China United Guarantee as the beneficiary
- Obligations under the Counter Guarantee Agreement** : Pursuant to the Counter Guarantee Agreement, upon demand of China United Guarantee, the Company shall indemnify China United Guarantee for all the Counter Guaranteed Amount, including but not limited to the followings:
- (1) all monies paid by China United Guarantee in providing the Guarantee for ZhongDi Stud Livestock, including any repayment made by China United Guarantee;
 - (2) guarantee fees and assessment fees (if any) that are payable to China United Guarantee;
 - (3) other expenses (if any), such as penalty interest, damages and compensation, that shall be borne by ZhongDi Stud Livestock under the Guarantee Service Agreement; and
 - (4) expenses incurred by China United Guarantee in enforcing its creditor's rights (including but not limited to litigation or arbitration costs, property preservation or evidence preservation costs, property preservation guarantee expenses/insurance expenses, notary costs, enforcement costs, evaluation expenses, auction or disposal expenses, verification expenses, announcement expenses, transfer expenses, legal costs, travelling expenses, investigation and evidence discovery charges, etc.) and all other expenses (if any).
- Counter guarantee period** : Two years upon the expiry of the period for discharging liabilities under the Guarantee Service Agreement

II. The Share Pledge Agreement

The principal terms of the Share Pledge Agreement are summarized below:

- Date** : 3 July 2017
- Parties** : (1) ZhongDi Farm as the pledgor;
(2) China United Guarantee as the pledgee; and
(3) ZhongDi Stud Livestock
- Obligations under the Share Pledge Agreement** : Pursuant to the Share Pledge Agreement, ZhongDi Farm, as the pledgor, shall pledge its entire shareholding interest in ZhongDi Stud Livestock to China United Guarantee, as the pledgee, to secure the Counter Guaranteed Amount, including but not limited to the followings:
- (1) all monies paid by China United Guarantee in providing Guarantee for ZhongDi Stud Livestock, including any repayment made by China United Guarantee;
 - (2) guarantee fees and assessment fees (if any) that are payable to China United Guarantee;
 - (3) other expenses (if any), such as penalty interest, damages and compensation, that shall be borne by ZhongDi Stud Livestock under the Guarantee Service Agreement; and
 - (4) expenses incurred by China United Guarantee in enforcing its creditor's rights (including but not limited to litigation or arbitration costs, property preservation or evidence preservation costs, property preservation guarantee expenses/insurance expenses, notary costs, enforcement costs, evaluation expenses, auction or disposal expenses, verification expenses, announcement expenses, transfer expenses, legal costs, travelling expenses, investigation and evidence discovery charges, etc.) and all other expenses (if any).

Term : The Share Pledge Agreement shall take effect upon the legal representatives or authorized agents of all parties having signed and sealed with the company seals or contract seals and shall terminate upon written consent from all parties having been obtained. In the event that ZhongDi Stud Livestock has discharged its entire obligations and liabilities under the Guarantee Service Agreement, China United Guarantee shall procure the share pledge under the Share Pledge Agreement to be released.

III. The Equipment Mortgage Agreements

The principal terms of the Equipment Mortgage Agreements are summarized below:

Date : 3 July 2017

Parties : (1) Each of Beijing ZhongDi Farm, Helan ZhongDi Farm, Langfang ZhongDi Farm, Tianjin ZhongDi Farm and Tianzhen ZhongDi Farm, as the mortgagor; and
(2) China United Guarantee, as the mortgagee

Obligations under the Equipment Mortgage Agreements : Pursuant to the Equipment Mortgage Agreements, each of Beijing ZhongDi Farm, Helan ZhongDi Farm, Langfang ZhongDi Farm, Tianjin ZhongDi Farm and Tianzhen ZhongDi Farm, as the mortgagor, shall mortgage certain equipment owned by itself to China United Guarantee, as the mortgagee, to secure the Counter Guaranteed Amount, including but not limited to the followings:

- (1) all monies paid by China United Guarantee in providing Guarantee for ZhongDi Stud Livestock, including any repayment made by China United Guarantee;
- (2) guarantee fees and assessment fees (if any) that are payable to China United Guarantee;
- (3) other expenses (if any), such as penalty interest, damages and compensation, that shall be borne by ZhongDi Stud Livestock under the Guarantee Service Agreement; and

(4) expenses incurred by China United Guarantee in enforcing its creditor's rights (including but not limited to litigation or arbitration costs, property preservation or evidence preservation costs, property preservation guarantee expenses/insurance expenses, notary costs, enforcement costs, evaluation expenses, auction or disposal expenses, verification expenses, announcement expenses, transfer expenses, legal costs, travelling expenses, investigation and evidence discovery charges, etc.) and all other expenses (if any).

Term : The Equipment Mortgage Agreements shall take effect upon the legal representatives or authorized agents of all parties having signed and sealed with the company seals or contract seals and shall terminate upon ZhongDi Stud Livestock having fully discharged its obligations and liabilities under the Guarantee Service Agreement or upon China United Guarantee having fully enforced its rights as mortgagee under the Equipment Mortgage Agreements.

IV. The Counter Guarantee Contract

The principal terms of the Counter Guarantee Contract are summarized below:

Date : 3 July 2017

Parties : (1) Mr. Zhang Jianshe and Ms. Li Jingtao, as the counter guarantors; and
(2) China United Guarantee, as the beneficiary

Obligations under the Counter Guarantee Contract : Pursuant to the Counter Guarantee Contract, Mr. Zhang Jianshe and Ms. Li Jingtao unconditionally and irrevocably agree to provide guarantee in favour of China United Guarantee for the Counter Guaranteed Amount, including but not limited to the followings:

- (1) all monies paid by China United Guarantee in providing Guarantee for ZhongDi Stud Livestock, including any repayment made by China United Guarantee;
- (2) guarantee fees and assessment fees (if any) that are payable to China United Guarantee;

- (3) other expenses (if any), such as penalty interest, damages and compensation, that shall be borne by ZhongDi Stud Livestock under the Guarantee Service Agreement; and
- (4) expenses incurred by China United Guarantee in enforcing its creditor's rights (including but not limited to litigation or arbitration costs, property preservation or evidence preservation costs, property preservation guarantee expenses/insurance expenses, notary costs, enforcement costs, evaluation expenses, auction or disposal expenses, verification expenses, announcement expenses, transfer expenses, legal costs, travelling expenses, investigation and evidence discovery charges, etc.) and all other expenses (if any).

Counter guarantee period : Two years upon the expiry of the period for discharging liabilities under the Guarantee Service Agreement

REASONS FOR AND BENEFITS OF THE COUNTER GUARANTEE ARRANGEMENTS

Pursuant to the Guarantee Service Agreement, ZhongDi Stud Livestock shall arrange or procure the Counter Guarantee Arrangements to be made in favour of China United Guarantee. The Counter Guarantee Arrangements are back-to-back guarantees to indemnify China United Guarantee for all its liabilities and expenses, including the principal and interest of the loan, any penalties, damages and expenses (if any) which may be payable by China United Guarantee under the Guarantee, the purpose of which is to guarantee the payment obligations and liabilities of ZhongDi Stud Livestock under the Loan Agreement. Further, the Loan Agreement was not secured by any assets of the Group. As such, the Directors (including the independent non-executive Directors) consider that the Counter Guarantee Arrangements are entered into upon arm's length negotiations and based on normal commercial terms, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION ABOUT THE RELEVANT PARTIES

The Company

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 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.

Beijing ZhongDi Farm

Beijing 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 dairy farming operation.

Helan ZhongDi Farm

Helan 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 dairy farming operation.

Langfang ZhongDi Farm

Langfang 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 dairy farming operation.

Tianjin ZhongDi Farm

Tianjin 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 dairy farming operation.

Tianzhen ZhongDi Farm

Tianzhen 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 dairy farming operation.

China United Guarantee

China United Guarantee is a company established in the PRC with limited liability and principally engaged in the business of providing guarantee services to small and micro enterprises. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, each of China United Guarantee and its ultimate beneficial owners is an Independent Third Party.

IMPLICATIONS UNDER THE LISTING RULES

As Mr. Zhang Jianshe, an executive Director of the Company, who is also a party to the Counter Guarantee Contract, has a material interest in the Counter Guarantee Arrangements, Mr. Zhang Jianshe has abstained from voting on the relevant resolution of the Board approving the Counter Guarantee Arrangements. Save as disclosed above, none of the other Directors has any material interest in such transactions or is required to abstain from voting on the board resolutions approving the Counter Guarantee Arrangements.

As the highest applicable percentage ratio in respect of the Counter Guarantee Arrangements is more than 5% but less than 25%, the Counter Guarantee Arrangements constitute a discloseable transaction of the Company and are subject to the notification and announcement requirements but are exempt from the Shareholders' approval requirement under Chapter 14 of the Listing Rules.

Mr. Zhang Jianshe and Ms. Li Jingtao, being a controlling Shareholder and the spouse of the controlling Shareholder, respectively, are both connected persons of the Company. As such, the entering into of the Counter Guarantee Contract constitutes financial assistance received by the Group from connected persons. Since the Counter Guarantee Contract is on normal commercial terms or better to the Group and is not secured by the assets of the Group, the entering into of the Counter Guarantee Contract is fully exempt from the announcement and independent Shareholders' approval requirements pursuant to Rule 14A.90 of the Listing Rules.

DEFINITIONS

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

“Beijing ZhongDi Farm”	Beijing ZhongDi Livestock Technology Co., Ltd.* (北京中地畜牧科技有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Board”	the board of Directors
“China United Guarantee”	China United SME Guarantee Corporation* (中合中小企业融资担保股份有限公司), a company established in the PRC with limited liability
“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 on 24 April 2014 with limited liability, the shares of which are listed on the Stock Exchange
“Counter Guarantee Agreement”	the counter guarantee agreement entered into by the Company, as the counter guarantor, and China United Guarantee, as the beneficiary, on 3 July 2017, pursuant to which the Company agreed to provide counter guarantee in favor of China United Guarantee for the Counter Guaranteed Amount
“Counter Guaranteed Amount”	the amount counter guaranteed in favour of China United Guarantee under the Counter Guarantee Arrangements
“Counter Guarantee Arrangements”	the Counter Guarantee Agreement, the Share Pledge Agreement, the Equipment Mortgage Agreements and the Counter Guarantee Contract
“Counter Guarantee Contract”	the counter guarantee agreement entered into by Mr. Zhang Jianshe and Ms. Li Jingtao as the counter guarantors and China United Guarantee on 3 July 2017, pursuant to which Mr. Zhang Jianshe and Ms. Li Jingtao agreed to provide counter guarantee in favor of China United Guarantee for its obligations under the Guarantee

“Director(s)”	director(s) of the Company
“Equipment Mortgage Agreement(s)”	the equipment mortgage agreements entered into by each of Beijing ZhongDi Farm, Helan ZhongDi Farm, Langfang ZhongDi Farm, Tianjin ZhongDi Farm and Tianzhen ZhongDi Farm, as the mortgagor, and China United Guarantee, as the mortgagee, on 3 July 2017, respectively, pursuant to which each of the mortgagors agreed to mortgage certain equipment owned by itself to China United Guarantee as the security for its obligations under the Guarantee
“Group”	the Company and its subsidiaries
“Guarantee”	the guarantee executed by China United Guarantee, as the guarantor, in favour of Jiangsu Bank (Beijing), as the beneficiary, in respect of the payment obligations and liabilities of ZhongDi Stud Livestock under the Loan Agreement
“Guarantee Service Agreement”	the guarantee service agreement entered into by ZhongDi Stud Livestock and China United Guarantee on 3 July 2017 in relation to the guarantee service provided by China United Guarantee to ZhongDi Stud Livestock
“Helan ZhongDi Farm”	Helan ZhongDi Farming Co., Ltd.* (賀蘭中地生態牧場有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	any person or company and their respective ultimate beneficial owner(s) which are third parties independent of the Company and its connected persons (as defined under the Listing Rules)
“Jiangsu Bank (Beijing)”	Beijing Branch of Bank of Jiangsu Co., Ltd.* (江蘇銀行股份有限公司北京分行)

“Langfang ZhongDi Farm”	Langfang ZhongDi Farming Co., Ltd.* (廊坊中地生態牧場有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Loan Agreement”	the loan agreement entered into by ZhongDi Stud Livestock, as the borrower, and Jiangsu Bank (Beijing), as the lender, on 3 July 2017, pursuant to which Jiangsu Bank (Beijing) agreed to grant a loan in the principal amount of RMB200,000,000 to ZhongDi Stud Livestock
“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
“Share Pledge Agreement”	the share pledge agreement entered into by ZhongDi Farm, as the pledger, and China United Guarantee, as the pledgee, on 3 July 2017, pursuant to which ZhongDi Farm agreed to pledge its entire shareholding interest in ZhongDi Stud Livestock to China United Guarantee as the security for the Counter Guaranteed Amount
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tianjin ZhongDi Farm”	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
“Tianzhen ZhongDi Farm”	Tianzhen ZhongDi Farming Co., Ltd.* (天鎮中地生態牧場有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company

“ZhongDi Farm”	ZhongDi Farm Technology Corporation* (中地牧業科技集團有限公司), 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

3 July 2017

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*