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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 — FINANCE LEASE ARRANGMENT

The Board is pleased to announce that, on 13 January 2017, (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.

The Leased Assets Sale I and the Leased Assets Sale II constitute a series of transactions made within a 12-month period and 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 and the Leased Assets Sale II, on an aggregated basis, is more than 5% but are all less than 25%, such transactions constitute a discloseable transaction of the Company and are subject to the notification and announcement requirements but exempt from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

The Leasing Transaction I and the Leasing Transaction II constitute a series of transactions made within a 12-month period and 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 and the Leasing Transaction II, on an aggregated basis, is more than 5% but are all less than 25%, such transactions constitute a discloseable transaction of the Company and are subject to the notification 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 13 January 2017, (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.

THE FINANCE LEASE ARRANGEMENT

The Finance Lease Agreements

The principal terms of the Finance Lease Agreements are summarized below:

Date: 13 January 2017

Parties: *Finance Lease Agreement I*

- (a) ZhongDi Langfang as the vendor and lessee of the Leased Assets I; and
- (b) Beijing Bank Leasing as the purchaser and lessor of the Leased Assets I.

Finance Lease Agreement II

- (a) ZhongDi Tianzhen as the vendor and lessee of the Leased Assets II; and
- (b) Beijing Bank Leasing as the purchaser and lessor of the Leased Assets II.

Leased Assets:

The Leased Assets I under the Finance Lease Agreement I consist of 6,293 dairy cows owned by ZhongDi Langfang as at the date of this announcement for its operation of dairy farm in Hebei, the PRC.

The Leased Assets II under the Finance Lease Agreement II consist of 5,295 dairy cows owned by ZhongDi Tianzhen as at the date of this announcement for its operation of dairy farm in Shanxi, the PRC.

General nature:

Pursuant to the Finance Lease Agreement I, 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 from the Lease Commencement Date.

Pursuant to the Finance Lease Agreement II, 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 from the Lease Commencement Date.

Consideration for transfer of the Leased Assets:

Finance Lease Agreement I

The consideration for the transfer of the Leased Assets I from ZhongDi Langfang to Beijing Bank Leasing is RMB160 million, which was determined after arm's length negotiations between the parties with reference to the unaudited net book value of the Lease Assets I at an amount of RMB200 million as at 30 November 2016.

Finance Lease Agreement II

The consideration for the transfer of the Leased Assets II from ZhongDi Tianzhen to Beijing Bank Leasing is RMB140 million, which was determined after arm's length negotiations between the parties with reference to the unaudited net book value of the Lease Assets II at an amount of RMB174 million as at 30 November 2016.

Payment of consideration for transfer of the Leased Assets:

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

- (a) the relevant Finance Lease Agreement having been executed and taken effect, and Beijing Bank Leasing having received the executed version of other legal documents in connection with the relevant Finance Lease Agreement;
- (b) the lessee under the relevant Finance Lease Agreement having provided to Beijing Bank Leasing guarantee(s) to its satisfaction;
- (c) the lessee under the relevant Finance Lease Agreement 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 and the sealed copies of the original purchase document in respect of the relevant Leased Assets; and
- (d) the lessee under the relevant Finance Lease Agreement having altered the beneficiary of insurance in respect of the relevant Leased Assets to Beijing Bank Leasing and delivered the certificates of alteration to Beijing Bank Leasing.

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

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

Payment of lease consideration:

Pursuant to the Finance Lease Agreement I, the Lease Asset I shall be leased back by Beijing Bank Leasing to ZhongDi Langfang at an aggregate lease consideration of approximately RMB174.99 million, which shall be paid by ZhongDi Langfang in installments at intervals of three months commencing from 15 April 2017. 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 I of RMB160 million; and (ii) the lease interest rate.

Pursuant to the Finance Lease Agreement II, the Lease Asset II shall be leased back by Beijing Bank Leasing to ZhongDi Tianzhen at an aggregate lease consideration of approximately RMB153.12 million, which shall be paid by ZhongDi Tianzhen in installments at intervals of three months commencing from 15 April 2017. 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 II of RMB140 million; and (ii) the lease interest rate.

Pursuant to the Finance Lease Agreements, the applicable lease interest rate shall be 110% 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, subject to adjustments on a half-year basis on 1 January and 1 July of each year during the Lease Period according to the then prevailing benchmark interest rate for term loans for the same period. 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 I, ZhongDi Langfang shall pay a security deposit of RMB4.8 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 I is paid in full by Beijing Bank Leasing.

Pursuant to the Finance Lease Agreement II, ZhongDi Tianzhen shall pay a security deposit of RMB4.2 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 II is paid in full by Beijing Bank Leasing.

If the lessee fails to pay the lease consideration or other liabilities under the relevant Finance Lease Agreement 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 relevant Finance Lease Agreement have been discharged, the remaining amount of which shall be returned to the lessee within 7 days after the relevant Finance Lease Agreement 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 relevant Finance Lease Agreement, Beijing Bank Leasing shall transfer the ownership of the Leased Assets back to the relevant lessee.

Early termination:

Prior to the expiry of the Lease Period, subject to written consent of Beijing Bank Leasing, each lessee is entitled to request for early termination of the relevant Finance Lease Agreement. In the event that written consent for such early termination has been given by Beijing Bank Leasing, the relevant lessee shall make a one-off payment in full to Beijing Bank Leasing of the followings as agreed under the relevant Finance Lease Agreement: (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 relevant Finance Lease Agreement shall be terminated, upon which the ownership of the relevant Leased Assets shall be transferred back to the lessee.

Other Relevant Arrangement

Asset management services agreements

In connection with and ancillary to the Finance Lease Agreements, on 13 January 2017, (i) ZhongDi Langfang and Beijing Bank Leasing further entered into an asset management service agreement pursuant to which Beijing Bank Leasing agreed to provide asset management services in relation to the Leased Assets I for the total service fees of RMB4.8 million; and (ii) ZhongDi Tianzhen and Beijing Bank Leasing further entered into an asset management service agreement pursuant to which Beijing Bank Leasing agreed to provide asset management services in relation to the Leased Assets II for the total service fees of RMB4.2 million. The service fees will be paid by the lessee under the relevant Finance Lease Agreement to Beijing Bank Leasing in full in one lump sum by 20 January 2017.

Guarantees

In connection with the Finance Lease Agreements, on 13 January 2017, ZhongDi Beijing (an indirect wholly-owned subsidiary of the Company) and Beijing Bank Leasing entered into guarantee agreements, pursuant to which ZhongDi Beijing shall provide guarantees in favour of Beijing Bank Leasing on a joint and several basis for the liabilities of the lessee under the relevant Finance Lease Agreements.

Pledges

In connection with the Finance Lease Agreements on 13 January 2017, (i) ZhongDi Langfang and Beijing Bank Leasing entered into pledge agreements, pursuant to which ZhongDi Langfang shall pledge the Leased Assets I to secure the performance of the liabilities of ZhongDi Langfang under the Finance Lease Agreement I; and (ii) ZhongDi Tianzhen and Beijing Bank Leasing entered into an agreement dated 13 January 2017, pursuant to which ZhongDi Tianzhen shall pledge the Leased Assets II to secure the performance of liabilities of ZhongDi Tianzhen under the Finance Lease Agreement II.

Further, ZhongDi Tianzhen and Beijing Bank Leasing entered into a pledge agreement dated 13 January 2017, pursuant to which ZhongDi Tianzhen shall pledge another 2,000 dairy cows owned by ZhongDi Tianzhen to secure the performance of liabilities of the lessees under the Finance Lease Agreements.

FINANCIAL EFFECTS OF THE FINANCE LEASE ARRANGEMENT

The Finance Lease Arrangement 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 I and the Leased Assets Sale II are estimated to be used to supplement the general working capital of the Group.

REASONS FOR AND BENEFITS OF THE FINANCE LEASE ARRANGEMENT

The terms of the Finance Lease Arrangement, 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 Arrangement and that the terms of the Finance Lease Arrangement 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.

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.

IMPLICATIONS UNDER THE LISTING RULES

The Leased Assets Sale I and the Leased Assets Sale II constitute a series of transactions made within a 12-month period and 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 and the Leased Assets Sale II, on an aggregated basis, is more than 5% but are all less than 25%, such transactions constitute a discloseable transaction of the Company and are subject to the notification and announcement requirements but exempt from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

The Leasing Transaction I and the Leasing Transaction II constitute a series of transactions made within a 12-month period and 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 and the Leasing Transaction II, on an aggregated basis, is more than 5% but are all less than 25%, such transactions constitute a discloseable transaction of the Company and are subject to the notification 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:

“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
“Director(s)”	director(s) of the Company
“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 Agreements”	the Finance Lease Agreement I and the Finance Lease Agreement II
“Finance Lease Arrangement”	the arrangement 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”	collectively, the Leased Assets I and Leased Assets II
“Leased Assets I”	6,293 dairy cows owned by ZhongDi Langfang as at the date of this announcement to be 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 as at the date of this announcement to be 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
“Lease Commencement Date”	17 January 2017, subject to the terms and conditions of the Finance Lease Agreement
“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
“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 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”	Tianzhen ZhongDi 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 People’s Republic of China
13 January 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.*