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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)

CONTINUING CONNECTED TRANSACTIONS PROPERTY LEASE AGREEMENTS

The Board is pleased to announce that, on 21 June 2018 after trading hours, SinoFarm Genetics & Seeds entered into the Property Lease Agreements with the Lessees, each being a wholly-owned subsidiary of the Group in respect of the leasing of the Premises for a term of three years commencing from 22 June 2018 and expiring on 21 June 2021.

IMPLICATIONS UNDER THE LISTING RULES

SinoFarm Genetics & Seeds is beneficially owned by YeGu Agriculture as to 51% and Qin Long Da as to 49% respectively. YeGu Agriculture is wholly owned by Mr. Zhang Jianshe, being the Director as well as controlling shareholder of the Company. Furthermore, Qin Long Da is owned as to 1% by Ms. Chang Na (常娜), being an independent third party and 99% by Mr. Li Jingbo (李景波), being the brother-in-law of Mr. Zhang Jianshe and thus is a deemed connected person of the Company pursuant to Rule 14A.21 of the Listing Rules. Accordingly, SinoFarm Genetics & Seeds is a connected person of the Company and the entering into of the Property Lease Agreements constitute continuing connected transactions for the Company under Chapter 14 of the Listing Rules.

The expected maximum rental amounts (including management fees, air-conditioning and heat charges) payable under the Property Lease Agreements for the financial years ending 31 December 2018, 2019, 2020 and 2021 will be RMB3,489,379.40, RMB6,599,085.40, RMB6,599,085.40 and RMB3,109,706.00 respectively. As the largest Annual Cap payable by the Group to SinoFarm Genetics & Seeds under the Property Lease Agreements for each of the financial years ending 31 December 2018, 2019, 2020 and 2021 is more than HK\$3,000,000 but all the applicable percentage ratios calculated on an annual basis pursuant to Rule 14.07 of the Listing Rules are less than 5%, the entering into of the Property Lease Agreements are subject to the reporting, announcement and annual review requirements but is exempt from the circular (including independent financial advice) and the independent shareholders' approval requirements pursuant to Rule 14A.76(2) of the Listing Rules.

INTRODUCTION

On 21 June 2018, after trading hours, SinoFarm Genetics & Seeds entered into the Property Lease Agreements with the Lessees, each being a wholly-owned subsidiary of the Group in respect of the leasing of the Premises.

PRINCIPAL TERMS OF THE PROPERTY LEASE AGREEMENTS

The following sets forth a summary of the principal terms of the Property Lease Agreements:

(A) PARTICULARS OF FIRST PROPERTY LEASE AGREEMENT

Date:

21 June 2018

Parties

- (1) SinoFarm Genetics & Seeds (as lessor); and
- (2) ZhongDi Dairy Group (as lessee).

Term

22 June 2018 to 21 June 2021 (both dates inclusive)

Premises to be leased

Rooms 901, 902, 903, 905 and 906, Block A, Time Fortune Compound, No. A6, Shuguang Xili, Chaoyang District, Beijing, the PRC (中國北京市朝陽區曙光西裡甲6號時間國際A座901, 902, 903, 905及906室) (“**First Premises**”)

Gross floor area

850.38 square meters

Rental

RMB2,514,148.47 being the annual rental, inclusive of management fees, air-conditioning and heat charges, payable quarterly and determined with reference to a daily rental of RMB8.10 per square meter

Use of properties

For office purpose only

(B) PARTICULARS OF SECOND PROPERTY LEASE AGREEMENT**Date:**

21 June 2018

Parties

- (1) SinoFarm Genetics & Seeds (as lessor); and
- (2) ZhongDi Farm (as lessee).

Term

22 June 2018 to 21 June 2021 (both dates inclusive)

Premises to be leased

Rooms 1001, 1002, 1003, 1005, 1006, 1007, 1008 and 1009, Block A, Time Fortune Compound, No. A6, Shuguang Xili, Chaoyang District, Beijing, the PRC (中國北京市朝陽區曙光西裡甲6號時間國際A座1001, 1002, 1003, 1005, 1006, 1007, 1008及1009室) (“**Second Premises**”)

Gross floor area

1381.68 square meters

Rental

RMB4,084,936.92 being the annual rental, inclusive of management fees, air-conditioning and heat charges, payable quarterly and determined with reference to a daily rental of RMB8.10 per square meter

Use of properties

For office purpose only

REASONS FOR AND BENEFITS OF ENTERING INTO THE PROPERTY LEASE AGREEMENTS

The Premises under the Property Lease Agreements are for the operations of the Group's business in Beijing. The Directors are of the view that the Premises meet the Group's current and future operations needs and the Property Lease Agreements can provide a stable place of business for the Group, and having the headquarters in the central business district of Beijing, being a superior geographical location, will enhance the corporate image of the Group.

The terms (including the Annual Caps) under the Property Lease Agreements were determined after arms' length negotiation between the parties with reference to the prevailing market rates in respect of the same or similar properties in the Chaoyang District of Beijing, the PRC and based on an internal comparison analysis of the open market rental of various available properties of comparable size and location under the current PRC market condition. The Directors (including the independent non-executive Directors) are of the view that each of the Property Lease Agreements and the transactions contemplated thereunder were entered into in the ordinary and usual course of business of the Group and will be conducted on normal commercial terms and that the terms contained in the Property Lease Agreements and the Annual Caps are fair and reasonable and in the interests of the Company and the shareholders of the Company as a whole.

SinoFarm Genetics & Seeds is beneficially owned by YeGu Agriculture as to 51% and Qin Long Da as to 49% respectively. YeGu Agriculture is wholly owned by Mr. Zhang Jianshe, being the Director as well as controlling shareholder of the Company; while Qin Long Da is owned as to 1% by Ms. Chang Na (常娜), being an independent third party and 99% by Mr. Li Jingbo (李景波), being the brother-in-law of Mr. Zhang Jianshe. Accordingly, Mr. Zhang Jianshe is considered to have a material interest in the transactions contemplated under the Property Lease Agreements and he has abstained from voting on the Board resolutions approving the Property Lease Agreements and the transactions contemplated thereunder.

Pursuant to a concert parties arrangement which was recorded and supplemented by the letter of confirmation and undertakings dated 15 April 2015, Mr. Zhang Jianshe, Mr. Zhang Kaizhan and Mr. Liu Dai have undertaken that during the period when they remain interested in, directly or indirectly, the Shares, they will continue to act in accordance with the said concert parties arrangement. In view of good corporate governance practices, although Mr. Zhang Kaizhan and Mr. Liu Dai have no material interest in the transactions contemplated under the Property Lease Agreements, Mr. Zhang Kaizhan and Mr. Liu Dai have abstained from voting on the Board resolutions approving the Property Lease Agreements and the transactions contemplated thereunder.

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 Diary Group

ZhongDi Diary Group, an indirect wholly-owned subsidiary of the Company, is a limited liability company established in the PRC and principally engaged in similar activities as the Group in the PRC.

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 similar activities as the Group in the PRC.

SinoFarm Genetics & Seeds

SinoFarm Genetics & Seeds, is a limited liability company established in the PRC and principally engaged in business operations including research and development, production, sales and technical services in relation to seeds.

IMPLICATIONS UNDER THE LISTING RULES

SinoFarm Genetics & Seeds is beneficially owned by YeGu Agriculture as to 51% and Qin Long Da as to 49% respectively. YeGu Agriculture is wholly owned by Mr. Zhang Jianshe, being the Director as well as controlling shareholder of the Company. Furthermore, Qin Long Da is owned as to 1% by Ms. Chang Na (常娜), being an independent third party and 99% by Mr. Li Jingbo (李景波), being the brother-in-law of Mr. Zhang Jianshe and thus is a deemed connected person of the Company pursuant to Rule 14A.21 of the Listing Rules. Accordingly, SinoFarm Genetics & Seeds is a connected person of the Company and the entering into of the Property Lease Agreements constitute continuing connected transactions for the Company under Chapter 14 of the Listing Rules.

The aggregate consideration under the Property Lease Agreements will be satisfied in cash from internal resources. The expected maximum rental amounts (including management fees, air-conditioning and heat charges) payable under the Property Lease Agreements for the financial years ending 31 December 2018, 2019, 2020 and 2021 will be RMB3,489,379.40, RMB6,599,085.40, RMB6,599,085.40 and RMB3,109,706.00 respectively. As the largest Annual Cap payable by the Group to SinoFarm Genetics & Seeds under the Property Lease Agreements for each of the financial years ending 31 December 2018, 2019, 2020 and 2021 is more than HK\$3,000,000 but all the applicable percentage ratios calculated on an annual basis pursuant to Rule 14.07 of the Listing Rules are less than 5%, the entering into of the Property Lease Agreements are subject to the reporting, announcement and annual review requirements but is exempt from the circular (including independent financial advice) and the independent shareholders' approval requirements pursuant to Rule 14A.76(2) of the Listing Rules.

DEFINITIONS

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

“Annual Cap(s)” the expected maximum rental amounts (inclusive of management fees, air-conditioning and heat charges) payable under the Property Lease Agreements for the financial years ending 31 December 2018, 2019, 2020 and 2021;

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| “Qin Long Da” | Beijing Qin Long Da Bio Technology Co. Ltd* (北京秦隆達生物科技有限公司), a limited liability company established under the laws of the PRC and wholly-owned by Mr. Li Jingbo (李景波) and Ms. Chang Na (常娜) as to 99% and 1% respectively |
| “Board” | the board of Directors |
| “Business Day” | any day (other than a Saturday, Sunday or public holiday in the PRC) on which commercial banks in the PRC are generally open for normal corporate banking business |
| “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 |
| “connected person(s)”; “continuing connected transaction”; and “controlling shareholder” | has the same meaning ascribed to it under the Listing Rules |
| “Director(s)” | director(s) of the Company |
| “First Premises” | has the same meaning ascribed to it under the section headed “(A) FIRST PROPERTY LEASE AGREEMENT — Premises to be leased” in this announcement |
| “First Property Lease Agreement” | the property lease agreement dated 21 June 2018 entered into between SinoFarm Genetics & Seeds and ZhongDi Dairy Group (as the lessee) in respect of the leasing of First Premises |
| “Group” | the Company and its subsidiaries |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “independent third party” | has the same meaning ascribed to it under the Listing Rules |

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| “Lessees” | collectively, ZhongDi Dairy Group and ZhongDi Farm |
| “Listing Rules” | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited |
| “Premises” | collectively, the First Premises and the Second Premises |
| “Property Lease Agreements” | collectively, the First Property Lease Agreement and the Second Property Lease Agreement |
| “PRC” | the People’s Republic of China excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan for the purpose of this announcement |
| “RMB” | Renminbi, the lawful currency of the PRC |
| “Second Premises” | has the same meaning ascribed to it under the section headed “(B) SECOND PROPERTY LEASE AGREEMENT — Premises to be leased” in this announcement |
| “Second Property Lease Agreement” | the property lease agreement dated 21 June 2018 entered into between SinoFarm Genetics & Seeds and ZhongDi Farm (as the lessee) in respect of the leasing of Second Premises |
| “SinoFarm Genetics & Seeds” | SinoFarm Genetics & Seeds (Group) Co., Ltd. (中地種業(集團)有限公司), a limited liability company established under the laws of the PRC and owned by YeGu Agriculture and Qin Long Da as to 51% and 49% respectively |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “YeGu Agriculture” | Beijing YeGu Agriculture Technology Development Company Limited (北京野穀農業技術開發有限公司), a limited liability company established under the laws of the PRC and wholly-owned by Mr. Zhang Jianshe |
| “ZhongDi Dairy Group” | ZhongDi Dairy Group 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 |

“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

“%”

per cent.

On behalf of the Board
**CHINA ZHONGDI DAIRY
HOLDINGS COMPANY LIMITED**
Zhang Jianshe
Chairman

Beijing, the PRC, 21 June 2018

As at the date of this announcement, 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*