
THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional advisers.

If you have sold or transferred all your shares in **Lanzhou Zhuangyuan Pasture Co., Ltd.***, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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Lanzhou Zhuangyuan Pasture Co., Ltd.*

蘭州莊園牧場股份有限公司

(A joint stock limited liability company incorporated in the People's Republic of China)

(Stock Code: 1533)

**PROPOSED NON-PUBLIC ISSUANCE OF A SHARES
UNDER SPECIFIC MANDATE
NOTICE OF THE 2020
SECOND EXTRAORDINARY GENERAL MEETING,
NOTICE OF A SHAREHOLDERS' CLASS MEETING AND
NOTICE OF H SHAREHOLDERS' CLASS MEETING**

A letter from the Board is set out on pages 4 to 27 of this circular.

The Company will convene the EGM, A Shareholders' Class Meeting and H Shareholders' Class Meeting at 2:30 p.m. on 25 May 2020 at 26th Floor, Block B, Shanghui Building of Gansu Province, No. 601, Yanyuan Road, Chengguan District, Lanzhou City, Gansu Province, the PRC. Notice of EGM, Notice of A Shareholders' Class Meeting and Notice of H Shareholders' Class Meeting are set out in this circular.

If you intend to appoint a proxy to attend the EGM, A Shareholders' Class Meeting and H Shareholders' Class Meeting, you are required to complete and return the accompanying form of proxy in accordance with the instructions printed thereon. For holders of H Shares, the form of proxy should be returned to Union Registrars Limited and for holders of A Shares, the form of proxy should be returned to the Company's head office in the PRC not less than 24 hours before the time fixed for holding the EGM, A Shareholders' Class Meeting and H Shareholders' Class Meeting or any adjourned meeting thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM, A Shareholders' Class Meeting and H Shareholders' Class Meeting or at any other adjourned meeting should you so wish.

* For identification purpose only

6 April 2020

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DEFINITIONS

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

“A Share(s)”	the domestic-listed ordinary shares in the share capital of the Company with a nominal value of RMB1.00 each, which have been listed on the Shenzhen Stock Exchange (Stock code: 002910)
“A Shareholders’ Class Meeting”	the class meeting of A Shareholders or any adjourned meeting to be held at 2:45 p.m. on 25 May 2020 at 26th Floor, Block B, Shanghui Building of Gansu Province, No. 601, Yanyuan Road, Chengguan District, Lanzhou City, Gansu Province, the PRC or immediately after the conclusion of the EGM or any adjournment thereof (whichever is the later)
“Administrative Measures for Issuance”	the Administrative Measures for the Issuance of Securities by Listed Companies
“Articles of Association”	the articles of association of the Company, as amended from time to time
“Board”	the board of directors of the Company
“Board Meeting”	the board meeting of the Company convened on 3 April 2020
“Class Meetings”	A Shareholders’ Class Meeting and H Shareholders’ Class Meeting
“Company”	Lanzhou Zhuangyuan Pasture Co., Ltd.* (蘭州莊園牧場股份有限公司), a joint stock company established in the People’s Republic of China with limited liability and the H Shares of which have been listed on the main board of the Hong Kong Stock Exchange (Stock Code: 1533) and the A Shares of which have been listed on the Shenzhen Stock Exchange (Stock Code: 002910)
“Company Law”	the Company Law of the People’s Republic of China
“CSRC”	China Securities Regulatory Commission
“Director(s)”	the director(s) of the Company
“EGM” or “Extraordinary General Meeting”	the 2020 second extraordinary general meeting or any adjourned meeting to be held at 2:30 p.m. on 25 May 2020 at 26th Floor, Block B, Shanghui Building of Gansu Province, No. 601, Yanyuan Road, Chengguan District, Lanzhou City, Gansu Province, the PRC

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DEFINITIONS

“H Shareholders’ Class Meeting”	the class meeting of H Shareholders or any adjourned meeting to be held at 3:00 p.m. on 25 May 2020 at 26th Floor, Block B, Shanghui Building of Gansu Province, No. 601, Yanyuan Road, Chengguan District, Lanzhou City, Gansu Province, the PRC or immediately after the conclusion of the A Shareholders’ Class Meeting or any adjournment thereof (whichever is the later)
“H Share(s)”	overseas-listed foreign share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, which are listed on the Main Board of the Stock Exchange
“H Shareholders”	holders of H Shares
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HK dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Implementation Rules”	the Implementation Rules for the Non-public Issuance of Stocks by Listed Companies
“Latest Practicable Date”	2 April 2020, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Non-public Issuance” or “Issuance”	the proposed non-public issuance of not more than 43,000,000 new A Shares by the Company
“Notice of A Shareholders’ Class Meeting”	the notice convening the A Shareholders’ Class Meeting
“Notice of EGM”	the notice convening the EGM

DEFINITIONS

“Notice of H Shareholders’ Class Meeting”	the notice convening the H Shareholders’ Class Meeting
“PRC”	the People’s Republic of China, for the purpose of this circular, excluding Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Regulation Questions and Answers”	Issuance Regulation Questions and Answers — Regulatory Requirements regarding Guiding and Regulating Financing Activities of Listed Companies (Revision)
“RMB”	Renminbi, the lawful currency in the PRC
“Securities Law”	the Securities Law of the People’s Republic of China
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shares”	ordinary shares in the share capital of the Company, with a nominal value of RMB1.00 each, comprising the Company’s A Shares and H Shares
“Shareholder(s)”	the holder of Share(s)
“Shareholders’ Meetings”	the Extraordinary General Meeting, the A Shareholders’ Class Meeting and the H Shareholders’ Class Meeting
“Sponsor”	China Dragon Securities Co., Ltd.* (華龍證券股份有限公司), the sponsor and lead underwriter of the Issuance, which is a third party independent of the Company and its connected persons

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LETTER FROM THE BOARD



Lanzhou Zhuangyuan Pasture Co., Ltd.*

蘭州莊園牧場股份有限公司

(A joint stock limited liability company incorporated in the People's Republic of China)

(Stock Code: 1533)

Executive Directors:

Mr. Ma Hongfu
Mr. Wang Guofu
Ms. Zhang Qianyu

Non-executive Directors:

Mr. Yap Kean Chong
Mr. Song Xiaopeng

Independent Non-executive Directors:

Ms. Liu Zhijun
Mr. Zhao Xinmin
Mr. Wong Cho Hang Stanley

Registered office in the PRC:

Sanjiaocheng Village
Sanjiaocheng Town
Yuzhong County
Lanzhou, Gansu
PRC

*Principal place of business and
head office in the PRC:*

25th-26th Floors, Block B
Shanghai Building of Gansu Province
No. 601, Yanyuan Road
Chengguan District
Lanzhou City, Gansu Province
PRC

Principal place of business in Hong Kong:

Units 3306-12, 33/F
Shui On Centre
Nos. 6-8 Harbour Road
Wanchai, Hong Kong

6 April 2020

To the Shareholders

Dear Sir or Madam,

**PROPOSED NON-PUBLIC ISSUANCE OF A SHARES
UNDER SPECIFIC MANDATE
NOTICE OF THE 2020
SECOND EXTRAORDINARY GENERAL MEETING,
NOICE OF A SHAREHOLDERS' CLASS MEETING AND
NOTICE OF H SHAREHOLDERS' CLASS MEETING**

1. INTRODUCTION

Reference is made to the announcement of the Company dated 6 April 2020 in relation to the application of the Non-public Issuance and the convening of the Shareholders' Meetings. The Board

* For identification purpose only

LETTER FROM THE BOARD

would like to invite you to attend the EGM to be held at 2:30 p.m. and the Class Meetings or any adjourned meeting to be held on Monday, 25 May 2020 at 26th Floor, Block B, Shanghui Building of Gansu Province, No. 601, Yanyuan Road, Chengguan District, Lanzhou City, Gansu Province, the PRC.

The purpose of this circular is to provide the Shareholders with information on, among other things, considering and approving (a) the proposed Non-public Issuance; and (b) other matters contained in the notices of EGM and A and H Shareholders' Class Meetings, so that the Shareholders may make an informed decision on voting in respect of the resolutions to be tabled at the EGM and the Class Meetings.

2. PROPOSED NON-PUBLIC ISSUANCE OF A SHARES UNDER SPECIFIC MANDATE

Pursuant to the provisions under the Company Law, Securities Law, Administrative Measures for Issuance, Implementation Rules, the Regulation Questions and Answers and other relevant laws, regulations and normative documents, after conducting self-examination item by item, the Company has complied with various requirements of the Non-public Issuance of A Shares.

The matters in relation to the plan for the proposed Non-public Issuance of A Shares were considered and passed at the 29th meeting of the third session of the Board of the Company held on 5 December 2019 and the 2020 first extraordinary general meeting and the 2020 first A shareholders' class meeting and the 2020 first H shareholders' class meeting held on 17 January 2020.

The Company submitted the application for the non-public issuance of A Shares to the CSRC in January 2020, and received the CSRC's Acknowledgement on Application for Administrative License (No. 200128) issued by the China Securities Regulatory Commission on 21 January 2020.

Recently, the Company has received the First Comment Notice on the CSRC's Review of Administrative License (No. 200128) in relation to the Application of Lanzhou Zhuangyuan Pasture Co., Ltd. for non-public issuance of A Shares issued by the CSRC on 24 March 2020.

Currently, the Company and relevant intermediaries including the Sponsors are reviewing each of the issues identified in the Comment item, and will then submit a written response and digital file to the CSRC as required and make timely information disclosure accordingly.

The adjusted plan for the Non-public Issuance of Shares (the "Issuance" or the "Non-public Issuance") is required to be submitted to the general meeting (including A Shareholders' Class Meeting and H Shareholders' Class Meeting) for consideration and may be implemented after approval of the CSRC.

LETTER FROM THE BOARD

The revisions mainly include amendments to, among others, the number of target subscribers, offer price and pricing basis, number of shares to be issued and lock-up period under the non-public issuance. To the Company, firstly, as the maximum number of target subscribers has been increased to 35 from 10, the number of shares to be subscribed for by a single target subscriber will be reduced, which will lower the investment threshold and thus the difficulty to complete the issuance. Secondly, the floor offer price under the non-public issuance has been adjusted from 90% to 80% of the average share price of the Company during the 20 trading days preceding the pricing date. A lower offer price is conducive to attracting investors with the potential of stronger returns. Furthermore, the maximum number of shares to be issued under the non-public issuance has been increased to 30% from 20% of the total share capital prior to the issuance, which will help the Company increase the amount of financing. Finally, the lock-up period under the non-public issuance will be reduced by half, from 36 months and 12 months to 18 months and 6 months respectively, without being subject to the share disposal rules, which can boost the interest of investors in subscription with less uncertainty around profitability and easier divestment.

Therefore, the revised plan of the non-public issuance is beneficial to the Company's follow-up issuance, its access to the capital market, the smooth implementation of the investment projects funded by the proceeds and the long-term development of the Company, and is in the interests of the minority shareholders.

The Board has approved the proposed Non-public Issuance of A Shares on 3 April 2020. The detailed plan of the Non-public Issuance of A Shares is as follows:

A. Class and nominal value of shares to be issued

Domestic-listed ordinary Shares denominated in RMB (A Shares) with a nominal value of RMB1.00 each.

B. Method and time of Issuance

Issuance is conducted by way of non-public issuance of A Shares to target subscribers. The Company will issue the relevant A Shares at an appropriate time within the validity period upon obtaining the approval documents of the CSRC.

C. Target subscribers and subscription method

The target subscribers for the Non-public Issuance will be no more than 35 target subscribers which satisfy the relevant requirements of the CSRC. The target subscribers shall be securities investment fund management companies, securities firms, trust investment companies, finance companies, insurance institutional investors, qualified foreign institutional investors (QFII) that comply with laws and regulations, and other domestic institutional and individual investors, which satisfy the relevant requirements of the CSRC. A securities investment fund management company, a securities company or a (RMB) qualified foreign institutional investor subscribing for the shares with two or more of the funds under its management shall be deemed as one single target subscriber. Trust investment companies shall only subscribe for the A Shares with their own capital.

LETTER FROM THE BOARD

The target subscribers of the Non-public Issuance shall be reasonably determined, after obtaining the approval from the CSRC, by the Board as authorized by the Shareholders' Meetings based on the situation of subscription in accordance with the principle of price priority and time priority. All the target subscribers shall subscribe for A shares under this non-public issuance at the same price and in cash.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, it is expected that none of the connected persons (as defined under the Hong Kong Listing Rules) of the Company will participate in the subscription of the new A Shares to be issued under the Non-public Issuance. If any of the new A Shares under the Non-public Issuance is issued to any connected person of the Company, the Company will comply with relevant requirements under Chapter 14A of the Hong Kong Listing Rules including but not limited to announcement and independent Shareholders' approval. The Company will announce the identity of the subscribers upon final determination.

D. Issue price and pricing principles

The price determination date of the Non-public Issuance shall be the first day of the issue period of the Non-public Issuance of the Company. The issue price of the Issuance shall be no less than 80% of the average trading price of the A Shares of the Company for the 20 trading days preceding the price determination date.

The final offer price will be determined by the Board through negotiation with the Sponsor based on the bidding results and the authorization of the Shareholders' Meetings in accordance with the relevant provisions after the Company has obtained the approval from the CSRC for the Non-public Issuance. In case of occurrence of ex-rights or ex-dividend events in relation to the shares of the Company during the period from the pricing benchmark date to the date of issuance such as distribution of dividends, issuance of bonus shares, converting capital reserve into share capital, the bottom price will be adjusted accordingly.

E. Issue Size

The number of shares issued shall not exceed 43,000,000 Shares (including the figure stated), the total number of Shares issued shall not exceed 30% of the total share capital of the Company before the Issuance, the percentage of H shares issued of the Company in the total number of shares after the Issuance shall not be below 15%, and the total proceeds raised shall not exceed RMB380,000,000 (including the figure stated, without deducting the issuance costs). Subject to the above limit, the Board of the Company advises the Shareholders' Meetings of the Company to authorize the Board to determine the final issuance number through negotiation with the Sponsor based on the actual situation of issuance. In case of occurrence of ex-rights or ex-dividend events in the Company during the period from the date of announcement of the Board resolution regarding the Non-public Issuance to the date of issuance such as distribution of dividends, issuance of bonus shares, converting capital reserve into share capital, the number of Shares issued will be adjusted accordingly.

LETTER FROM THE BOARD

F. Amount and the use of proceeds

The total amount of proceeds from the Non-public Issuance is no more than RMB380 million (inclusive). The proceeds are mainly used in the following areas:

Unit: RMB10,000

No.	Name of project	Total investment amount	Financed by the fund raised
1	Recycling Industrial Park Project of a Dairy Farm with 10,000 Dairy Cows in Jinchuan District	49,834.57	34,000.00
2	Repayment of bank loan	<u>4,000.00</u>	<u>4,000.00</u>
Total		<u><u>53,834.57</u></u>	<u><u>38,000.00</u></u>

The Company intends to finance the “Recycling Industrial Park Project of a Dairy Farm with 10,000 Dairy Cows in Jinchuan District” and to repay the bank loans with the proceeds from the Non-public Issuance of A Shares, particulars of which are as follows:

1. Details of the “Recycling Industrial Park Project of a Dairy Farm with 10,000 Dairy Cows in Jinchuan District”:

Project construction period:

The proposed construction period of the project is 2 years

Project implementation entity:

Gansu Ruijia Farming Co., Ltd., a wholly-owned subsidiary of the Company

Project implementation location:

West side of Jin’a Railway, Shuangwan Town, Jinchuan District, Jinchang City, Gansu Province

Project investment estimate:

The total investment amount of the project is RMB498,345,700, of which RMB340 million will be satisfied by the proceeds raised from the Non-public Issuance of A Shares, and the remaining will be invested by the Company with its own funds.

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Status of implementation:

Currently under construction by the Company with its own funds.

Assessment on the economic benefits of the project:

After the completion, this project will provide 68,000 tons of high-quality raw milk, 3,400 male calves, 2,650 female calves and 750 retired cows per year. The normal annual sales revenue of the project is RMB283,200,000 and the average annual total profit is RMB63,371,500, with a payback period of 8.29 years. Each of the main financial and economic indicators is reasonable and feasible, with high operational safety and good economic benefit.

Project approval and filing:

The Development and Reform Bureau of Jinchuan District of Jinchang City issued the Notice of Development and Reform Bureau of Jinchuan District of Jinchang City on the Change of the Filing of the Recycling Industrial Park Project of a Dairy Farm with 10,000 Dairy Cows of Gansu Ruijia Farming Co., Ltd. in Jinchuan District (Jin Qu Fa Gai (Bei) [2019] No. 126) on 3 June 2019 and agreed to change the registration and filing of the “Recycling Industrial Park Project of a Dairy Farm with 10,000 Dairy Cows of Gansu Ruijia Farming Co., Ltd. in Jinchuan District”.

The Jinchang Environmental Protection Bureau (金昌市環境保護局) issued the “Reply on the Environmental Impact Report on the Recycling Industrial Park Project of a Dairy Farm with 10,000 Dairy Cows of Gansu Ruijia Farming Co., Ltd. in Jinchuan District” (《關於甘肅瑞嘉牧業有限公司金川區萬頭奶牛養殖循環產業園項目環境影響報告書的批復》)(金環保發[2018]561號) (Jin Huan Bao Fa [2018] No. 561) on 18 December 2018. Pursuant to the approval opinion, this investment project “Recycling Industrial Park Project of a Dairy Farm with 10,000 Dairy Cows of Gansu Ruijia Farming Co., Ltd. in Jinchuan District” meets all of the environmental protection requirements.

Land use of the project:

The Recycling Industrial Park Project of a Dairy Farm with 10,000 Dairy Cows in Jinchuan District is implemented at South Beach, Gucheng Village, Shuangwan Town, Jinchuan District, Jinchang City, Gansu Province. All of the surrounding areas have access to electricity and the power is sufficient. The location of the project site is convenient for transportation, and the communication, radio and television signals cover the whole area. The project covers a total area of 1,860 mu (畝), among which, the Company intends to purchase 370 mu (畝) in the form of grant, and the local government leases 1,490 mu (畝) of facility agricultural land for free.

LETTER FROM THE BOARD

According to the Notice of Jinchuan District People's Government of Jinchang City on the Filing of the First Phase of the facility agricultural land for a dairy farm with 10,000 dairy cows for the Recycling Industrial Park Project of a Dairy Farm with 10,000 Dairy Cows of Gansu Ruijia Farming Co., Ltd. in Jinchuan District from Jinchuan District People's Government of Jinchang City (Jin Qu Zheng Tu Fa [2019] No. 2), it is permitted to make filing on the facility agricultural land agreement signed by Ruijia Farming and Shuangwan Town People's Government and agree that the company can occupy 1,490 acres of unused state-owned land on the west side of Jin'a Railway of Shuangwan Town as the land for the newly constructed farm project for 10,000 dairy cows.

The Company has signed the Land Use Rights Grant Contract with Jinchang Natural Resources Bureau (金昌市自然資源局) in July 2019, pursuant to which the Company intends to purchase 372.20 mu (畝) of project land with its own funds for office, dormitory, exhibition hall and dairy cows breeding purposes. In March 2020, Ruijia Farming obtained certificates of property right entitled Gan (2020) Jin Chuan Qu Bu Dong Chan Quan No. 0000078 and Gan (2020) Jin Chuan Qu Bu Dong Chan Quan No. 0000079 from the Real Estate Registration Authority of Jinchuan District, Jinchang City.

2. Information on the relevant bank loans:

The Company and BANK OF LANZHOU CO., Ltd. entered into a loan contract, pursuant to which a loan of RMB50 million was granted for a term of 12 months commencing on 27 June 2019 and ending on 27 June 2020, at the monthly interest rate of 3.625%.

The proceeds raised will be invested as needed according to the actual construction progress of the mentioned above projects. The bank loans or its own funds of the Company have been used to finance the operation of the projects before the proceeds raised in this issuance are in place, and the proceeds raised will be used to substitute its own funds after the Company received such proceeds. If the net proceeds raised this time are less than the total investment amount, the shortfall will be financed by the Company's own funds or other financing resources.

G. Lock-up period

The lock-up period for the Non-public Issuance is six months commencing from the closing date of the Non-public Issuance. After the end of lock-up period, the transactions under the Non-public Issuance shall be conducted in accordance with the relevant regulations of the CSRC and the Shenzhen Stock Exchange.

The lock-up period is imposed upon the target subscribers of A Shares under the Non-public Issuance. The specific target subscribers "shall be reasonably determined by the Board as authorized by the Shareholders' general meeting after obtaining the approval from the CSRC based on the conditions of subscription quotation on a 'price priority and time priority' basis".

LETTER FROM THE BOARD

Pursuant to the Article 75 to the Administrative Measures for the Issuance of Securities by Listed Companies (《上市公司證券發行管理辦法》), the Several Provisions on the Disposal of Shares by Shareholders, Directors, Supervisors and Senior Management of Listed Companies (《上市公司股東、董監高減持股份的若干規定》) is not applicable to any disposal of shares in the listed company acquired through non-public issuance.

In conclusion, the transaction of the non-public shares subscribed by the target subscribers of A Shares of the Non-public Issuance shall still be subject to the relevant provisions of the CSRC and the Shenzhen Stock Exchange after the expiry of the 6-month lock-up period. Meanwhile, the regulatory departments and the Shenzhen Stock Exchange may also make adjustments to the relevant requirements and policies for the non-public issuance of shares by listed companies. The Company has undertaken in the Issuance Plan that it will closely monitor the changes in laws, rules and relevant policies. If relevant laws and rules are revised and implemented in the course of the issuance, the Company will convene a Board meeting in time to consider the same, and will, to the extent authorized by the Shareholders' general meeting, adjust, improve and timely disclose the specific terms of the Non-public Issuance of A Shares in accordance with the relevant adjusted policies.

H. Listing venue

The A Shares to be issued under the Non-public Issuance will be listed and traded on the Shenzhen Stock Exchange.

I. Arrangement of accumulated undistributed profits

Both new Shareholders and existing Shareholders after the Issuance are entitled to the accumulated undistributed profits of the Company.

J. Validity period

Validity period of the resolution for the Non-public Issuance is 12 months from the date when the resolutions relating to the Issuance are considered and approved at the EGM, the A Shareholders' Class Meeting and the H Shareholders' Class Meeting.

The Issuance is subject to the approval of the CSRC. The Issuance will take place pursuant to the specific mandate to be sought at the EGM, the A Shareholders' Class Meeting and the H Shareholders' Class Meeting, and take effect upon the approval of the Shareholders at the EGM, the A Shareholders' Class Meeting and the H Shareholders' Class Meeting by way of a special resolution. If one or some of the resolutions in the Shareholders' Meetings in relation to the Issuance has or have been voted down, the Issuance shall not proceed. The detailed terms on the Issuance (including the issue price and issue size) will be announced separately by the Company upon final determination.

LETTER FROM THE BOARD

The adjustments made to the relevant terms of the non-public issuance by the Board of the Company are based on the latest refinancing policy of the CSRC and the Company's actual operating conditions and are subject to consideration at the general meeting. If the revised plan of the non-public issuance is not approved at the general meeting and thus not approved by the CSRC, the Company will terminate the issuance plan in full and will not be allowed to carry out the non-public issuance in accordance with the plan as previously approved by Shareholders on 17 January 2020.

Relevant matters concerning the non-public issuance have been deliberated and approved at the 29th meeting of the third session of the Board convened on 5 December 2019, and deliberated and approved at the first Extraordinary General Meeting of the Company in 2020 and the 2020 first A shareholders' class meeting and the 2020 first H shareholders' class meeting of the Company in 2020, all convened on 17 January 2020. The Company has adjusted the plan of the non-public issuance according to the new refinancing policy issued by the CSRC, which is subject to consideration and approval by the Board and the general meeting (including the A and H Shareholders' Class Meetings). Relevant announcements in relation to the progress of the submission of the revised issuance plan of the Non-public Issuance to the CSRC will be made in due course.

The Company is not required to withdraw the previous application and resubmit the application documents, but is required to revise the relevant terms of the issuance plan in the Application for Non-public Issuance last submitted to the CSRC after the revised plan has been deliberated and approved at the Board meeting and the general meeting (including the class meetings of A and H shareholders) of the Company. This will have no effect on the review of the non-public issuance.

The market price of the Company's A Share and H Share as at the Latest Practicable Date are RMB11.91 and HK\$5.32 respectively.

LETTER FROM THE BOARD

IMPACT OF THE ISSUANCE ON THE COMPANY'S SHAREHOLDING STRUCTURE

For reference and illustration purposes only, assuming that there are no changes to the total issued share capital of the Company prior to the completion of the Issuance and that subject to the regulatory requirements of the places where the Shares of the Company are listed, a maximum of 43,000,000 A Shares are issued under the Issuance (which represents approximately 22.55% of the total issued share capital of the Company as at the date of this circular and approximately 18.40% of the total issued share capital of the Company as enlarged by the issuance of the A Shares under the Issuance), the shareholding structure of the Company immediately before and after completion of the Issuance is set out as follows:

	Capacity/Nature of interest	Immediately before completion of the Issuance		Immediately after completion of the Issuance	
		Number of Shares	Approximate percentage of the Company's total issued share capital	Number of Shares	Approximate percentage of the Company's total issued share capital
A Shares					
Mr. Ma Hongfu	Beneficial owner	32,197,400	16.89%	32,197,400	13.78%
(Note 1)	Interest of controlled corporation	45,894,700	24.07%	45,894,700	13.64%
Other A Shareholders		77,458,500	40.62%	77,458,500	33.15%
New A Shares to be issued under the Issuance		—	—	43,000,000	18.40%
Sub-Total of A Shares		155,550,600	81.58%	198,550,600	84.97%
H Shares		35,130,000	18.42%	35,130,000	15.03%
Total:		190,680,600	100%	233,680,600	100%

Note:

- (1) Mr. Ma Hongfu has a personal interest in 32,197,400 Shares. Mr. Ma Hongfu also holds 97.38% equity interests in Lanzhou Zhuangyuan Investment Co., Ltd.* (蘭州莊園投資股份有限公司) (“Zhuangyuan Investment”) and 39.44% equity interests in Gansu Lucky Cow Investment Co., Ltd.* (甘肅福牛投資有限公司) (“Lucky Cow”). Under the SFO, he is deemed to be interested in the 30,894,700 Shares held by Zhuangyuan Investment and the 15,000,000 Shares held by Lucky Cow.

* For identification purpose only

LETTER FROM THE BOARD

PUBLIC FLOAT

According to the public information available to the Company and to the best of the Directors' knowledge, as at the date of this circular, approximately 59.04% of the total issued A Shares and H Shares of the Company were held by the public, among which, the H Share public float was approximately 18.42%.

Assuming that there are no changes to the total issued Shares of the Company (excluding the Non-public Issuance) from the date of this circular to the date immediately preceding the completion of the Non-public Issuance, and all of a maximum of 43,000,000 new A Shares to be issued by the Company under the Non-public Issuance are held by public Shareholders, immediately after the completion of the Non-public Issuance, the total public float in respect of the A Shares and H Shares of the Company as a whole will be approximately 66.58%, among which, the H Share public float will be approximately 15.03%. The Board expects that the Company would still be able to maintain sufficient public float to meet the applicable minimum requirement of the Hong Kong Listing Rules.

THE IMPACT OF DILUTING THE CURRENT RETURNS BY THE ISSUANCE

The Company has performed a prudent analysis of the impact of diluting the current returns by the non-public issuance. The impact of diluting the current returns by the revised plan of the non-public issuance on key financial indicators of the Company is described below:

(I) Main Assumptions

The following assumptions are solely made for the purpose of estimating the impact of diluting the current returns by the non-public issuance on key financial indicators of the Company, and do not represent the Company's judgment on its operating conditions and the trends in 2020, nor does it constitute a profit forecast and cash dividend commitment. Investors should not make their investment decision based on such information only and the Company will not be held liable for any loss howsoever arising therefrom.

1. It is assumed that there would be no significant adverse changes in the macro-economic environment, the policy of the industry, the development trend of the industry, the market situation of the products and the operating environment of the Company.
2. It is assumed that the Company could complete the non-public issuance by the end of September 2020, which will be only used to calculate the impact of diluting the current returns by the non-public issuance on key financial indicators, does not represent the judgment of the Company on the actual completion date. The actual completion date after the approval of this issuance by CSRC shall prevail.

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3. It is assumed that the number of shares under the non-public issuance would be 43,000,000 shares (inclusive, the final number of shares issued will be determined by the Board and the sponsor through negotiation in accordance with the authorization of the general meeting, the relevant regulations of CSRC and the subscription quotations from target subscribers). The above number of shares issued does not exceed 30% of the total share capital of the Company before the non-public issuance. It is assumed that the total share capital of the Company would be increased from 190,680,600 shares to 233,680,600 shares after the issuance. When predicting the total share capital of the Company, only the impact of the non-public issuance of shares will be considered based on the total share capital of the Company as of the Latest Practicable Date, and the changes in the share capital caused by other adjusting events will not be considered.
4. It is assumed that the total proceeds from the non-public issuance would be the upper limit of the issuance plan. The total proceeds to be raised will be RMB380 million, excluding the impact of issuance expenses. The actual amount of the proceeds will be subject to the approval by CSRC, the subscription of the issuance, issuance expenses, etc.
5. Based on the Result Announcement, the Company recorded provisions for goodwill impairment and fixed asset impairment for 2019, leading to lower net profit and net profit after deducting non-recurring gains and losses for 2019 as compared with those for 2018. In the meantime, the original shareholders of Xi'an Dongfang Dairy Co., Ltd.* (西安東方乳業有限公司) had to fulfill the compensation obligation due to the failure to meet the performance commitments, resulting in a significant difference between the Company's net profit and net profit after deducting non-recurring profit or loss for 2019. Based on actual operating conditions, the possibility of the Company to provide for asset impairment for 2020 is expected to be low. As such, to estimate the impact of diluting the current returns by the non-public issuance on key financial indicators of the Company more objectively and accurately, it is assumed that the net profit of the Company attributable to shareholders of the parent company and net profit attributable to shareholders of the parent company after deducting non-recurring profit or loss in 2020 would increase by 0%, 10% and -10%, respectively, compared to the data of 2019, excluding the above asset impairment (the net profit of the Company attributable to shareholders of the parent company and net profit attributable to shareholders of the parent company after deducting non-recurring profit or loss amounting to RMB70,000,000 and RMB65,000,000 respectively) (this assumption will be only used to calculate the impact of the non-public issuance on major indicators, and does not represent the Company's judgment on the operating conditions and the trends in 2019);

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6. The impact of the non-public issuance on the Company's other production operation and financial conditions (e.g. financial expenses, investment income) will not be considered.
7. In predicting the Company's net assets after the issuance, the impact of other factors other than cash dividends, proceeds and net profit on net assets will not be considered.

It is assumed that the Company's cash dividends in 2019 would be 20% of the net profit attributable to shareholders of listed companies achieved in 2019 and be implemented in August 2020.

8. It is assumed that the impact of bank interest before the raised funds are not used will not be considered.
9. It is assumed that except for the non-public issuance, the Company will not implement other actions that would have an impact on its total share capital in 2020.

(II) The Impact on the Key Financial Indicators of the Company

Based on the aforesaid assumptions, the comparison of the impact of diluting the current returns as a result of the non-public issuance of A shares on the key financial indicators of the Company is as follows:

Item	2019/31 December 2019	2020/31 December 2020	
		Excluding the issuance	Including the issuance
Total ordinary share capital (Shares)	190,680,600	190,680,600	233,680,600
Proceeds of the Issuance (RMB)	—	—	380,000,000
Cash dividend (RMB)	12,739,120.00		
Assumption 1: It is assumed that the annual growth rates of net profit attributable to shareholders of the parent company and net profit attributable to shareholders of the parent company after deducting non-recurring profit or loss in 2020 are 0% (flat)			
Net assets attributable to shareholders of the parent company at the beginning of the period (RMB)	1,184,406,733.12	1,224,947,192.57	1,224,947,192.57
Net assets attributable to shareholders of the parent company at the end of the period (RMB)	1,224,947,192.57	1,284,477,110.86	1,664,477,110.86
Net profit attributable to shareholders of the parent company (RMB)	51,321,171.73	70,000,000.00	70,000,000.00
Net profit attributable to shareholders of the parent company after deducting non-recurring profit or loss (RMB)	7,845,388.19	65,000,000.00	65,000,000.00
Basic earnings per share (RMB per share)	0.27	0.3671	0.3475
Diluted earnings per share (RMB per share)	0.27	0.3671	0.3475

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Item	2019/31 December 2019	2020/31 December 2020	
		Excluding the issuance	Including the issuance
Basic earnings per share after deducting non-recurring profit or loss (RMB per share)	0.04	0.3409	0.3227
Diluted earnings per share after deducting non-recurring profit or loss (RMB per share)	0.04	0.3409	0.3227
Weighted average ROE	4.24%	5.5712%	5.1796%
Weighted average ROE after deducting non-recurring profit or loss	0.65%	5.1733%	4.8096%
Assumption 2: It is assumed that the annual growth rates of net profit attributable to shareholders of the parent company and net profit attributable to shareholders of the parent company after deducting non-recurring profit or loss in 2020 are 10% (increase)			
Net assets attributable to shareholders of the parent company at the beginning of the period (RMB)	1,184,406,733.12	1,224,947,192.57	1,224,947,192.57
Net assets attributable to shareholders of the parent company at the end of the period (RMB)	1,224,947,192.57	1,291,477,110.86	1,671,477,110.86
Net profit attributable to shareholders of the parent company (RMB)	51,321,171.73	77,000,000.00	77,000,000.00
Net profit attributable to shareholders of the parent company after deducting non-recurring profit or loss (RMB)	7,845,388.19	71,500,000.00	71,500,000.00
Basic earnings per share (RMB per share)	0.27	0.4038	0.3823
Diluted earnings per share (RMB per share)	0.27	0.4038	0.3823
Basic earnings per share after deducting non-recurring profit or loss (RMB per share)	0.04	0.3750	0.3550
Diluted earnings per share after deducting non-recurring profit or loss (RMB per share)	0.04	0.3750	0.3550
Weighted average ROE	4.24%	6.1113%	5.6828%
Weighted average ROE after deducting non-recurring profit or loss	0.65%	5.6748%	5.2769%
Assumption 3: It is assumed that the annual growth rates of net profit attributable to shareholders of the parent company and net profit attributable to shareholders of the parent company after deducting non-recurring profit or loss in 2020 are -10% (decrease)			
Net assets attributable to shareholders of the parent company at the beginning of the period (RMB)	1,184,406,733.12	1,224,947,192.57	1,224,947,192.57

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Item	2019/31 December 2019	2020/31 December 2020	
		Excluding the issuance	Including the issuance
Net assets attributable to shareholders of the parent company at the end of the period (RMB)	1,224,947,192.57	1,277,477,110.86	1,657,477,110.86
Net profit attributable to shareholders of the parent company (RMB)	51,321,171.73	63,000,000.00	63,000,000.00
Net profit attributable to shareholders of the parent company after deducting non-recurring profit or loss (RMB)	7,845,388.19	58,500,000.00	58,500,000.00
Basic earnings per share (RMB per share)	0.27	0.3304	0.3128
Diluted earnings per share (RMB per share)	0.27	0.3304	0.3128
Basic earnings per share after deducting non-recurring profit or loss (RMB per share)	0.04	0.3068	0.2904
Diluted earnings per share after deducting non-recurring gains and losses (RMB per share)	0.04	0.3068	0.2904
Weighted average ROE	4.24%	5.0281%	4.6737%
Weighted average ROE after deducting non-recurring profit or loss	0.65%	4.6690%	4.3399%

Note: Basic earnings per share, diluted earnings per share and average return on equity are calculated according to the “Compilation Rules for Information Disclosures by Companies that Offer Securities to the Public (No. 9): Calculation and Disclosure of Rate of Return on Equity and Earnings per Share” (2010 Revision) (《公開發行證券的公司信息披露編報規則第9號—淨資產收益率和每股收益的計算及披露》(2010年修訂)).

REASONS FOR AND BENEFITS OF THE ISSUANCE

Since the listing of A shares, the Company has been actively planning to raise funds through the listing platform, so as to meet the daily operating capital requirements of the Company. Pursuant to the requirements on the refinancing of listed companies of the CSRC, the time interval between the date of convening and resolution of the Board meeting in respect of the refinancing (including non-public issuance) of a listed company and the time when the proceeds raised from the previous financing are in place shall, in principle, not be less than 18 months, provided that the convertible corporate bonds are not subject to such limit. As the initial public offering and the listing of A shares of the Company took place on 31 October 2017, a refinancing through the methods other than convertible bonds by using the listing platform shall, in principle, be conducted at least after 30 April 2019. In view of this, the management of the Company, after careful consideration, preferred the refinancing on a convertible basis which is not subject to restrictions on time, and held the 15th meeting of the third session of the Board on 31 January 2019, at which the resolution on the Issuance of A-Share Convertible Corporate Bonds was considered and passed. The Company discharged its information disclosure obligations as required, and submitted the relevant documents to the CSRC in June 2019.

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As Ruihua Certified Public Accountants (Special General Partnership), the auditor for project of A-share convertible bonds, has been investigated by the CSRC for its suspected violation of the securities laws and regulations in the business of auditing the annual report of Kangde Xin Composite Materials Corporation Limited (康得新複合材料股份有限公司) (Investigation notice no.: Su Zheng Diao Cha Zi No. 2019085), the Company convened the 22nd meeting of the third session of the Board on 22 July 2019, at which the Resolution on the Application to the CSRC for Cessation of Auditing on the Public Issuance of A-Share Convertible Corporate Bonds (《關於向中國證監會申請中止公開發行A股可轉換公司債券審核的議案》) was considered and passed, and the Company convened the 25th meeting of the third session of the Board on 19 September 2019, at which the Resolution on Application to the CSRC for Withdrawal of Application Documents for the Public Issuance of A-Share Convertible Corporate Bonds (《關於向中國證監會申請撤回公開發行A股可轉換公司債券申請文件的議案》) was considered and passed, and received the Notice of the CSRC on Terminating the Review for Application of Administrative Permission ([2019] No. 307) issued by the CSRC on 11 October 2019. The project of A-share convertible bonds was terminated.

So far, it has been nearly 24 months since the initial public offering and the listing of A shares on 31 October 2017, which has exceeded the minimum limit of not less than 18 months from time when the proceeds raised from the previous financing are in place, as required by the CSRC for refinancing of listed companies. The Company meets the basic requirements for the non-public issuance. Having made careful research and considerations according to the actual circumstances of the Company, the Company decided to make refinancing by non-public issuance of shares, so as to meet the operating capital requirements of the Company, and convened the 29th meeting of the third session of the Board on 5 December 2019, at which the resolution on the Non-public Issuance of A Shares of the Company was considered and approved. The matters in relation to the plan for the proposed Non-public Issuance of A Shares were considered and passed at the 2020 first extraordinary general meeting, the A shareholders' class meeting and the H shareholders' class meeting held on 17 January 2020. The Company held a Board meeting on 3 April 2020 to consider and pass the resolution in relation to the adjusted plan for the Non-public Issuance of A Shares.

Pursuant to the Decision on Amending the Administrative Measures for the Issuance of Securities by Listed Companies and the Decision on Amending the Detailed Implementation Rules for the Non-public Issuance of Shares by Listed Companies as published by the China Securities Regulatory Commission on 14 February 2020, considering factors such as the actual operating condition of the Company and the progress of the non-public issuance, the Board of the Directors of the Company determines that the revised plan of the non-public issuance is beneficial to its follow-up issuance, its access to the capital market, the smooth implementation of the investment projects funded by the proceeds and the long-term development of the Company, and is in the interests of the minority shareholders. Therefore, the Board of Directors intends to revise relevant terms of the non-public issuance according to the latest refinancing requirement of the China Securities Regulatory Commission.

LETTER FROM THE BOARD

Major adjustments to provisions on non-public issuance are as follows:

Item		After	Before
General condition	Valid term of approval	The listed company shall issue securities within 12 months from the date of approval by the China Securities Regulatory Commission	The listed company shall issue securities within 6 months from the date of approval by the China Securities Regulatory Commission
Specific conditions on the non-public issuance	Number of buyers	Not more than 35	Not more than 10
	Pricing date	If the board of directors of the listed company has resolved to determine all buyers in advance, who are subject to a lock-up period of 18 months, the pricing date may be the announcement date of the board resolution on the non-public issuance, the announcement date of the resolution of the general meeting, or the first day of the issuance period. Save for the above circumstances, the pricing date shall be the first day of the issuance period of the non-public issuance	The pricing date shall be the first day of the issuance period of the non-public issuance
	Lock-up period	<p>I. If the board of directors of the listed company has resolved to determine all buyers in advance, no subscribed shares may be transferred within 18 months from the closing date of the Issuance by any buyer who is:</p> <ol style="list-style-type: none"> 1. the controlling shareholder, de facto controller of the listed company or a related party controlled by the same; 2. an investor who has obtained de facto control of the listed company by subscribing for the shares issued; 3. a domestic or foreign strategic investor to be introduced by the board of directors; <p>II. No subscribed shares may be transferred within 6 months from the closing date of the Issuance by any other buyer.</p>	<p>I. If the board of directors of the listed company has resolved to determine all buyers in advance, no subscribed shares may be transferred within 36 months from the closing date of the Issuance by any buyer who is:</p> <ol style="list-style-type: none"> 1. the controlling shareholder, de facto controller of the listed company or a related party controlled by the same; 2. an investor who has obtained de facto control of the listed company by subscribing for the shares issued; 3. a domestic or foreign strategic investor to be introduced by the board of directors; <p>II. No subscribed shares may be transferred within 12 months from the closing date of the Issuance by any other buyer.</p>
	Offer price	The offer price shall be not less than 80% of the average share price of the Company during the 20 trading days preceding the pricing date	The offer price shall be not less than 90% of the average share price of the Company during the 20 trading days preceding the pricing date
	Number of shares to be issued	If the listed company applies for a non-public issuance of shares, the number of shares to be issued may not exceed 30% of the total share capital before the issuance in principle	If the listed company applies for a non-public issuance of shares, the number of shares to be issued may not exceed 20% of the total share capital before the issuance in principle
	Share disposal rules	The Several Provisions on the Disposal of Shares by Shareholders, Directors, Supervisors and Senior Management of Listed Companies is not applicable to any disposal of shares in the listed company acquired through non-public issuance	The Several Provisions on the Disposal of Shares by Shareholders, Directors, Supervisors and Senior Management of Listed Companies is applicable to any disposal of shares in the listed company acquired through non-public issuance
	Capital and return guarantee	The listed company and its controlling shareholder, de facto controller, and major shareholders may not make any undertaking to any buyer on capital or return guarantee or equivalent, and may not provide financial assistance or compensation to any buyer directly or indirectly	—

LETTER FROM THE BOARD

The Company intends to utilize the proceeds from the Non-public Issuance to finance the “Recycling Industrial Park Project of a Dairy Farm with 10,000 Dairy Cows”, which will further enhance the supply ratio of the Company’s own raw milk after the completion of the project, guarantee product quality at the source, and achieve long-term, stable and sustainable development. Meanwhile, with the “reconstruction and expansion project with daily processing 600 tons of liquid milk” gradually completed and put into operation, the daily processing capacity, annual production capacity, production process and production efficiency of the Company’s dairy products have been greatly improved than before, and the demand for raw milk will also increase. The implementation and operation of the “Recycling Industrial Park Project of a Dairy Farm with 10,000 Dairy Cows” will provide the necessary raw milk guarantee for the smooth implementation of the Company’s “reconstruction and expansion project with daily processing 600 tons of liquid milk”, meet the growing demand for production-use raw milk of the Company and its subsidiaries, and ensure the stable supply ratio of the Company’s own raw milk.

With the continuous development of the Company’s own business and the construction of “reconstruction and expansion project with daily processing 600 tons of liquid milk”, the liability level, especially short-term loans, has recently increased significantly. With the further implementation of financing the “Recycling Industrial Park Project of a Dairy Farm with 10,000 Dairy Cows” with its own funds, the Company expects a further increase in bank loans in the future. By utilizing the funds raised from the Non-public Issuance to repay part of the bank loans, the Company will to some extent reduce the liability level (especially short-term loans), reduce financial costs, optimize capital structure, strengthen financial stability and improve the anti-risk capability of the Company.

The investment project financed by the proceeds from the Non-public Issuance is in line with the national industrial policies, the operational requirements and future strategic development plans of the Company, which has a good market prospect and economic benefits. Through the implementation of the investment project financed by the proceeds from the Non-public Issuance, the Company will further enhance the supply ratio of its own raw milk, strengthen the product quality control, address the Company’s increasing demand for raw milk in the future, optimize the product mix, improve its profitability, enhance the Company’s core competitiveness and promote the Company’s sustainable development, which is in the interests of the Company and all Shareholders.

In order to ensure the smooth implementation of the investment project funded with the proceeds, i.e. the “Recycling Industrial Park Project of a Dairy Farm with 10,000 Dairy Cows in Jinchuan District”, the Company will meet its capital requirements through bank loans and undistributed profits accumulated over years if the relevant resolutions in relation to this Non-public Issuance of A Shares are considered and voted down.

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Through years of development, the Company has accumulated a certain amount of profits and as of 31 December 2019, the consolidated undistributed profit of the Company amounted RMB483,470,000. With the gradual implementation of the “Reconstruction and Expansion Project with a Capacity of Processing 600 Tons of Liquid Milk Per Day” and this investment project funded with the proceeds, the revenue, net profits and other profit indicators of the Company are expected to be further improved and the undistributed profits of the Company will be further increased, which will guarantee the smooth implementation of the projects.

CAPITAL RAISING ACTIVITIES

On 31 January 2019, the Board approved the proposed issuance of A Share convertible bonds. On 23 May 2019, resolutions in relation to the issuance of A Share convertible bonds were considered and passed at the 2019 first extraordinary general meeting of the Company. On 23 July 2019 the Company submitted the application to CSRC for withdrawal of the application documents for public issuance of A Share convertible bonds. On 17 January 2020, the Company held the 2020 first extraordinary general meeting, the A shareholders’ class meeting and the H shareholders’ class meeting to consider and pass the resolution in relation to the plan for the Non-public Issuance of A Shares.

Save as disclosed herein, as at the date of this circular, the Company has not conducted any fund-raising activities in relation to the issue of the equity securities in the 12 months immediately preceding the date of this circular.

3. FEASIBILITY REPORT ON THE USE OF PROCEEDS RAISED FROM THE NON-PUBLIC ISSUANCE OF A SHARES BY THE COMPANY (REVISED)

In accordance with the relevant requirements of the Administrative Measures for Issuance of Securities by Listed Companies of the CSRC, the Company has prepared the Feasibility Report on the Use of Proceeds Raised from the Non-public Issuance of A Shares by the Company (Revision), full text of which is set out in Appendix I to this circular.

On 3 April 2020, the Board approved and resolved to propose to the Shareholders to consider and, if thought fit, approve the resolution on the feasibility report on the use of proceeds raised from the Non-public Issuance of A Shares (Revision) by the Company at the EGM by way of special resolution.

LETTER FROM THE BOARD

4. REMEDIAL MEASURE OF THE DILUTION OF IMMEDIATE RETURN RESULTING FROM THE NON-PUBLIC ISSUANCE OF A SHARES AND RISK WARNING (REVISED)

According to the Certain Opinions of the State Council on Further Promoting the Healthy Development of Capital Markets (Guo Fa [2014] No. 17) (《國務院關於進一步促進資本市場健康發展的若干意見》(國發[2014]17號))、Opinions of the General Office of the State Council on Further Strengthening the Protection of Legitimate Rights and Interests of Medium and Small Investors in Capital Markets (Guo Ban Fa [2013] No. 110) (《國務院辦公廳關於進一步加強資本市場中小投資者合法權益保護工作的意見》(國辦發[2013]110號)) and Guiding Opinions on Matters relating to the Dilution of Immediate Return Resulting from Initial Public Offering, Refinancing and Material Asset Restructuring (CSRC Announcement [2015] No. 31) (《關於首發及再融資、重大資產重組攤薄即期回報有關事項的指導意見》(證監會公告[2015]31號)) of the CSRC, the Company has revisited the measures against the dilution of immediate return upon the Non-public Issuance in respect of the adjustment and revision of the Non-public Issuance Plan, and prepared the Dilution of Immediate Return Resulting from the Non-public Issuance of A Shares and the Remedial Measures of the Company (Revision), full text of which is set out in Appendix II to this circular.

5. ANNOUNCEMENT ON THE UNDERTAKINGS GIVEN BY THE CONTROLLING SHAREHOLDERS, THE *DE FACTO* CONTROLLER, THE DIRECTORS AND SENIOR MANAGEMENT IN RELATION TO THE REMEDIAL MEASURES ADOPTED FOR THE DILUTION OF IMMEDIATE RETURNS BY THE NON-PUBLIC ISSUANCE OF A SHARES BEING IMPLEMENTED APPROPRIATELY

Pursuant to the Several Opinions of the State Council on Further Promoting the Healthy Development of Capital Market (《國務院關於進一步促進資本市場健康發展的若干意見》)(Guo Fa [2014] No. 17), the Opinions of the General Office of the State Council on Further Strengthening the Protection of Small and Medium Investors' Legitimate Interests in Capital Market (《國務院辦公廳關於進一步加強資本市場中小投資者合法權益保護工作的意見》)(Guo Ban Fa [2013] No. 110) and the Guiding Opinions on Matters Relating to the Dilution of Immediate Returns As a Result of Initial Public Offering, Refinancing and Major Asset Restructuring (《關於首發及再融資、重大資產重組攤薄即期回報有關事項的指導意見》)(China Securities Regulatory Commission Announcement [2015] No. 31), in order to protect the interests of small and medium investors, the Company analyzed the impact of the Non-public Issuance on diluted immediate returns carefully, and proposed the detailed return remedial measures, and the controlling shareholders, *de facto* controllers, all directors and senior management made commitments on the performance of the dilution of current return remedial measures for the Non-public Issuance, full text of which is set out in Appendix III to this circular.

On 3 April 2020, the Board approved and resolved to propose to the Shareholders to consider and, if thought fit, approve the resolution on the dilution of immediate return resulting from the Non-public Issuance of A Shares by the Company and the remedial measures at the EGM by way of special resolution.

LETTER FROM THE BOARD

6. AUTHORIZATION TO THE BOARD TO DEAL WITH THE RELEVANT MATTERS RELATING TO THE NON-PUBLIC ISSUANCE WITH FULL DISCRETION AT THE GENERAL MEETING

In accordance with the arrangement of the Non-public Issuance and pursuant to relevant provisions of Company Law, Securities Law and other laws and regulations as well as the Articles of Association, it is proposed that the Board be authorized by the Shareholders' general meeting and the Chairman, President and Secretary to the Board of the Company be delegated by the Board, to solely or jointly handle the matters related to the Non-public Issuance to efficiently and smoothly promote the relevant work of the Non-public Issuance, including but not limited to:

1. To formulate and implement the specific plan for the Non-public Issuance, duly amend, adjust and supplement the terms of the Non-public Issuance, clarify specific terms and plan before the issuance, and formulate and implement the final plan for the Non-public Issuance, including but not limited to determination of issuance time, amount of proceeds, issue price, number of Shares to be issued, target subscribers, designated account for proceeds, use of proceeds and other matters related to the issuance plan, in accordance with national laws and regulations, relevant provisions of securities regulatory authorities and particular situation of the Company;
2. To handle application matters related to the Non-public Issuance, including but not limited to preparation, modification, signing, submission, subsequent submission, implementation and announcement of the plan and the listing application materials of the Non-public Issuance pursuant to requirements of relevant government departments and regulatory authorities, handle relevant procedures, and implement lock-up and other procedures related to the issuance and listing, and handle information disclosure matters related to the Non-public Issuance in accordance with regulatory requirements;
3. To sign, modify, supplement, complete, submit, and implement all the agreements, contracts and documents related to the Non-public Issuance (including but not limited to sponsor and underwriting agreements, engagement letters of intermediaries, agreements related to proceeds, subscription agreements entered into with investors, circulars, announcements and other disclosure documents, etc.);
4. To determine and engage a Sponsor, law firm, accounting firm and other intermediaries, and handle other matters related thereto;
5. To amend the corresponding articles of the Articles of Association according to the results of the Non-public Issuance, submit to relevant government departments and regulatory authorities for approval or filing, handle industrial and commercial registration of changes at the industry and commerce administration authorities, and handle matters in relation to registration, custody and lock-up of new Shares at relevant departments, upon completion of the Non-public Issuance;

LETTER FROM THE BOARD

6. In the event that relevant laws, regulations and regulatory authorities impose new regulations and requirements on refinancing to remedy the immediate returns, to make a further analysis, study, and demonstration on the impact of the Non-public Issuance on the immediate financial indicators and immediate returns to the Shareholders of the Company, formulate and amend relevant remedial measures and policies, and handle all the other matters thereto with absolute discretion, subject to the then relevant laws, regulations and requirements of the regulatory authorities;
7. In the event that relevant laws and regulations, other normative documents and relevant regulatory authorities impose new regulations on the non-public issuance of A shares by listed companies and market conditions change, to adjust the issue plan and use of proceeds and continue to handle matters related to the Non-public Issuance subject to relevant provisions and requirements of securities regulatory authorities (including review feedback opinions on the application for the Non-public Issuance) and market conditions, save the matters that shall be voted upon again at the Shareholders' general meeting with no authorization allowed as stipulated in relevant laws, regulations and the Articles of Association;
8. In the event of force majeure or other circumstances which are sufficient to make the plan of the Non-public Issuance difficult to implement, or which will bring adverse consequences to the Company although the issue plan can be implemented, or in the event of any change in the policy of non-public issuance of A shares, to determine to postpone or terminate in advance the plan of the Non-public Issuance at discretion;
9. To handle all other necessary, proper and appropriate matters related to the Non-public Issuance; and
10. The authorization shall be effective for 12 months after the Resolution on the Grant of Authorization to the Board and Its Authorized Persons by the Shareholders' General Meeting to Deal with the Relevant Matters relating to the Non-public Issuance of A Shares is considered and approved at the Shareholders' general meeting and class meetings of the Company. Upon the expiration of the authorization period, the Board shall, based on the actual situation of the Non-public Issuance, propose to the Shareholders' general meeting and class meetings of the Company for approval of new authorization.

On 3 April 2020, the Board approved and resolved to propose to the Shareholders to consider and, if thought fit, approve the resolution on the grant of authorization to the Board and its authorized persons by the Shareholders' general meeting to deal with the relevant matters relating to the Non-public Issuance of A Shares at the EGM, the A Shareholders' Class Meeting and the H Shareholders' Class Meeting respectively, by way of special resolutions.

LETTER FROM THE BOARD

7. THE EGM AND CLASS MEETINGS

The Company will convene the EGM, A Shareholders' Class Meeting and H Shareholders' Class Meeting on Monday, 25 May 2020 at 26th Floor, Block B, Shanghui Building of Gansu Province, No. 601, Yanyuan Road, Chengguan District, Lanzhou City, Gansu Province, the PRC, to consider and, if thought fit, approve, inter alia, the matters as set out in the notices convening the EGM, A Shareholders' Class Meeting and H Shareholders' Class Meeting set out in pages N-1 to N-10 of this circular. The A Shareholders' Class Meeting will be held immediately after the conclusion of the EGM, at the same place, and the H Shareholders' Class Meeting will be held immediately after the conclusion of the A Shareholders' Class Meeting, at the same place, to consider and, if thought fit, approve the proposed resolutions. Notice of EGM, Notice of A Shareholders' Class Meeting and Notice of H Shareholders' Class Meeting are set out in this circular.

In order to determine the holders of Shares who are eligible to attend and vote at the EGM and H Shareholders' Class Meeting, the register of members of the Company will be closed from Saturday, 25 April 2020 to Monday, 25 May 2020, both days inclusive. To be eligible to attend and vote at the EGM and H Shareholders' Class Meeting, unregistered holders of H Shares of the Company shall lodge relevant share transfer documents with the Company's H Share registrar and transfer office in Hong Kong, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for registration not later than 4:00 p.m. on Friday, 24 April 2020.

Shareholders who intend to appoint a proxy to attend the EGM, A Shareholders' Class Meeting and H Shareholders' Class Meeting shall complete and return the accompanying form of proxy in accordance with the instructions printed thereon. For holders of H Shares, the form of proxy should be returned to Union Registrars Limited and for holders of A Shares, the form of proxy should be returned to the Company's head office in the PRC in person or by post not less than 24 hours before the time fixed for holding the EGM or any adjourned meeting thereof.

8. VOTING BY POLL AT EGM AND CLASS MEETINGS

Pursuant to Rule 13.39(4) of the Listing Rules, all votes of shareholders of a listed issuer at the issuer's general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. The chairman of the EGM, A Shareholders' Class Meeting and H Shareholders' Class Meeting will therefore demand a poll for every resolution put to the vote at the EGM, A Shareholders' Class Meeting and H Shareholders' Class Meeting pursuant to Article 86 of the Articles of the Association.

On a poll, every Shareholder present in person or by proxy (or being a corporation by its duly authorized representative) shall have one vote for each Share registered in his/her/its name in the register of members. A Shareholder entitled to more than one vote needs not use all his/her/its votes or cast all the votes he/she/it uses in the same manner.

LETTER FROM THE BOARD

9. RECOMMENDATION

The Board considers that all resolutions set out in the Notice of EGM, Notice of A Shareholders' Class Meeting and Notice of H Shareholders' Class Meeting for Shareholders' consideration and approval are in the best interests of the Company and its Shareholders as a whole. As such, the Board recommends the Shareholders to vote in favour of the said resolutions set out in the Notice of EGM, Notice of A Shareholders' Class Meeting and Notice of H Shareholders' Class Meeting which are to be proposed at the EGM and Class Meetings.

10. FURTHER INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

By order of the Board
Lanzhou Zhuangyuan Pasture Co., Ltd.*
蘭州莊園牧場股份有限公司
Ma Hongfu
Chairman

* *For identification purpose only*

**APPENDIX I FEASIBILITY REPORT ON THE USE OF PROCEEDS RAISED
FROM THE NON-PUBLIC ISSUANCE OF A SHARES (REVISED)**

Stock Abbreviation: Zhuangyuan Pasture

Stock Code: 002910

Lanzhou Zhuangyuan Pasture Co., Ltd.

(Domicile: Sanjiaocheng Village, Sanjiaocheng Town, Yuzhong County, Lanzhou, Gansu)



**Plan for the Non-public Issuance of A Shares
Feasibility Analysis Report on the Use of Proceeds (Revised)**

April 2020

APPENDIX I FEASIBILITY REPORT ON THE USE OF PROCEEDS RAISED FROM THE NON-PUBLIC ISSUANCE OF A SHARES (REVISED)

In order to further enhance the comprehensive competitiveness of Lanzhou Zhuangyuan Pasture Co., Ltd.* (蘭州莊園牧場股份有限公司) (“Zhuangyuan Pasture” or the “Company”) and improve sustainable development of the Company, the 36th meeting of the third session of the Board of the Company considered and approved relevant matters concerning the Non-public Issuance of A Shares, pursuant to which the Company intends to issue not more than 43,000,000 Shares to not more than 35 specific targets on non-public basis. The feasibility analysis on the investment projects funded with the proceeds above is as follows:

I. PLAN FOR THE USE OF THE PROCEEDS FROM THE ISSUANCE

The total proceeds (inclusive of the issuance expenses) from the Non-public Issuance of A Shares by the Company will not exceed RMB380,000,000 (inclusive). The proceeds are intended to be used in the Recycling Industrial Park Project of a Dairy Farm with 10,000 Dairy Cows in Jinchuan District and to repay bank loans, particulars of which are as follows:

Unit: RMB'0,000

No.	Name of the project	Total investment amount	Proceeds to be invested
1	Recycling Industrial Park Project of a Dairy Farm with 10,000 Dairy Cows in Jinchuan District	49,834.57	34,000.00
2	Repayment of bank loans	4,000.00	4,000.00
Total		53,834.57	38,000.00

The proceeds raised will be invested as needed according to the actual construction progress of the projects. If the Company has used bank loans or its own funds to invest and construct some related projects before the proceeds from the issuance are available, the proceeds from the issuance will be used to replace such bank loans or its own funds after they are available. If the net proceeds from the issuance are less than the total amount of funds to be invested, the shortfall shall be financed by the Company with its own funds or other financing methods.

II. BACKGROUND OF THE IMPLEMENTATION OF THE INVESTMENT PROJECTS FUNDED WITH THE PROCEEDS FROM THE ISSUANCE

1. National and Local Policy Support

It is the general idea and guidance for the agricultural development in China that the animal husbandry should be intensified, the structure of animal husbandry adjusted, the development of dairy production focused upon, the industrialisation of the dairy industry proactively promoted and the weight of milk in the national diet increased during the “13th Five-Year Plan” period and an even longer period thereafter. Since 2017, the General Office of the State Council, the Ministry of Agriculture, the National Development and Reform Commission and many other departments have promulgated the “National Dairy Development Plan (2016-2020)” (《全國奶業發展規劃(2016-2020

APPENDIX I FEASIBILITY REPORT ON THE USE OF PROCEEDS RAISED FROM THE NON-PUBLIC ISSUANCE OF A SHARES (REVISED)

年)》), the “National Nutrition Plan (2017-2030)” (《國民營養計劃(2017—2030年)》), the “Opinions on Promoting the Revitalization of Dairy Industry to Ensure the Quality and Safety of Dairy Products” (《關於推進奶業振興保障乳品質量安全的意見》), the “Opinions on Further Promoting the Revitalization of Dairy Industry” (《關於進一步促進奶業振興的若干意見》), the “Opinions of the Central Committee of the CPC and the State Council on Giving Priority to the Development of Agricultural and Rural Area and Deal with Matters in Relation to Agriculture, Rural Areas and Farmers Properly (No. 1 Document of the Central Committee of the CPC in 2019)” (《中共中央國務院關於堅持農業農村優先發展做好「三農」工作的若干意見》(2019年中央一號文件)) and other documents, with an aim to further coordinate the development of Holstein cattle and other dairy animals, promote the coordinated development of milk source base construction, forage planting and dairy processing and achieve a self-sufficiency rate of milk source of over 70% by 2020, which has clarified the position of the dairy industry in the national economy, and the development direction and goals of dairy products in the future.

According to the “Opinions of the Gansu Provincial People’s Government of CPC Gansu Provincial Committee on Further Deepening Rural Reform and Accelerating Agricultural Modernization” (《中共甘肅省委甘肅省人民政府關於進一步深化農村改革加快推進農業現代化的意見》), a scale breeding should be developed, leading enterprises supported, breeding communities built, the pilot projects of the whole industry chain of the modern animal husbandry expanded, the construction process of 35 modern animal husbandry demonstration counties and 4 grassland agricultural pilot counties accelerated, the policies to support to-be-bigger-and-stronger key leading agricultural enterprises implemented and new 600 standardized farms (communities) built under the goal of increasing the income of farmers and improving agricultural efficiency based on the provincial conditions.

The Company has been assessed as a national key leading enterprise of agricultural industrialization by several ministries and commissions for many years. The implementation of the investment projects to be funded with by the proceeds from the Non-public Issuance falls within the scope of the are as supported by the national and local policies, meets the requirements of relevant industry policies, and has been implemented when the country focuses on the development of the animal husbandry and production of dairy products.

2. The Actual Needs of the Company’s Production and Operation (Raw Milk)

Currently, the Company is a specialized dairy product producer in Gansu Province with large investment, integrating dairy farming, dairy processing, and sales as a whole. Since the establishment of its predecessor, Zhuangyuan Dairy, the issuer has always adhered to the development philosophy of “Survival on Quality”, maintained the balanced development strategy of “Coordinated Market Development and Supply Capacity”, and met the quality management requirements of “Safety and Freshness”. After building a safe and controllable production, transportation and marketing system that integrates dairy farming, raw milk procurement, dairy processing, and product transportation and marketing, it uses the production base as the center to expand market gradually within a reasonable distribution radius. With fresh and reliable product quality and distinctive product mix, the issuer has

APPENDIX I FEASIBILITY REPORT ON THE USE OF PROCEEDS RAISED FROM THE NON-PUBLIC ISSUANCE OF A SHARES (REVISED)

gradually expanded itself in the local market. After nearly two decades of efforts, it has grown from a small county-based private enterprise to a regional market leader, showing a good development momentum. At present, the Company's products have high market share in Gansu, Qinghai and Xi'an markets, and enjoy obvious brand advantages and high market position in regional markets.

The Company's production base in Sanjiaocheng Town, Yuzhong County, Lanzhou, Gansu, was completed and put into operation in 2003, and its layout was based on the market size, consumption demand and industry characteristics at that time. With a history of nearly two decades since then, some factory buildings are outdated and some equipment is gradually aging. Given that the Company's existing dairy processing base in Yuzhong County cannot fully meet the growing diversified needs of the dairy consumption market and the actual operating issues, including the upgrade of advanced dairy production processes, such as filling technology, the Company has invested and implemented the "Reconstruction and Expansion Project with a Capacity of Processing 600 Tons of Liquid Milk Per Day" with its own funds. As for the project, the Company intends to use the existing production and processing bases and newly purchased surrounding land, rely on experienced and well-qualified engineering design institutes to rationalize and modernize the re-planning, investment and construction, eliminate existing aging production equipment used in backward production processes with low utilization rate and long service life, and purchase and build new production lines to increase the Company's production capacity. Since the commencement of construction in 2018, the "Reconstruction and Expansion Project with a Capacity of Processing 600 Tons of Liquid Milk Per Day" has reached the pre-set service status and is expected to be put into use in 2020. After the project is completed and put into operation, the production capacity and output will increase to certain extent as compared with the current production capacity and output, and the demand for raw milk used in supporting production will also increase to certain extent as compared with the current demand.

Therefore, through implementing the Recycling Industrial Park Project of a Dairy Farm with 10,000 Dairy Cows in Jinchuan District invested by the proceeds from the Non-public Issuance, the Company will secure adequate supply of raw milk after the "Reconstruction and Expansion Project with a Capacity of Processing 600 Tons of Liquid Milk Per Day" is put into operation. The Non-public Issuance is also implemented based on the actual needs of the Company's current production and operations and future development plans.

III. BASIC INFORMATION ON THE IMPLEMENTTION OF THE PROJECTS INVESTED BY THE PROCEEDS FROM THE NON-PUBLIC ISSUANCE

(I) 10,000 Dairy Cows Farming Construction Project in Jinchuan District

1. Basic Information of the Project

Project construction period: The proposed construction period of the project is 2 years

Project implementation entity: Gansu Ruijia Farming Co., Ltd. ("Ruijia Farming"), a wholly-owned subsidiary of the Company

Project implementation location: West side of Jin'a Railway, Shuangwan Town, Jinchuan District, Jinchang City, Gansu Province

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Project investment estimate: the total investment amount of the project is RMB498,345,700, of which RMB340 million will be satisfied by the proceeds raised from the Non-public Issuance of A Shares, and the remaining will be invested by the Company with its own funds, details of which are as follows:

(1) Construction Project

The estimated investment in construction project is based on the economic indicators of similar projects and the recent labor and material prices in Jinchang City. The investment amount is RMB211,651,800. Please see the following table for details:

No.	Name of building (structure)	Quantity	Unit	Unit price (RMB/m ² , RMB/m ³)	Total price (RMB10,000)
I	Major projects for production				
1	Barns for milkable cows (7)	75,250.10	m ²	601.88	4,529.22
2	Barns for suckling calves	5,111.47	m ²	650.00	332.25
3	Barns for special cows and production office	6,953.71	m ²	650.00	451.99
4	Barns for heifers (3)	24,096.10	m ²	550.00	1,325.29
5	Barns for young cows	10,789.20	m ²	580.00	625.77
6	Milking parlour, parlour for cows to be milked and platform for visiting	9,921.01	m ²	1,500.00	1,488.15
7	Channel for milking	2,758.41	m ²	520.00	143.44
	Subtotal	134,880.00			8,896.11
II	Auxiliary projects for production				
1	Silo (8)	34,560.00	m ²	220.00	760.32
2	Silage collection tank (2)	90.00	m ²	7,250.00	62.25
3	Forage yard (5)	14,400.00	m ²	220.00	429.09
4	Forage shed (3)	4,500.00	m ²	650.00	316.80
5	Concentrate library	1,864.86	m ²	960.00	179.03
6	Mixing plant	1,964.04	m ²	650.00	127.66
7	Weight bridge foundation	84.00	m ²	420.00	3.52
8	Manure and sewage transfer canal	1,063.22	m	1,450.00	154.17
9	Solid-liquid separation room of cow manure	3,454.62	m ²	960.00	331.64
10	Drying yard for dry manure	10,200.00	m ²	220.00	224.40
11	Temporary storage tank for wastewater (4)	40,000.00	m ²	220.00	880.00
12	Machine workshop and oil depot	747.91	m ²	650.00	48.61
13	Disinfection locker	322.72	m ²	1,450.00	46.79

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No.	Name of building (structure)	Quantity	Unit	Unit price (RMB/m², RMB/m³)	Total price (RMB10,000)
14	Temporary storage room for hazardous waste	50.00	m ²	1,450.00	7.25
	Subtotal	113,301.37			3,571.53
III	Auxiliary projects				
1	Office building (2)	3,964.28	m ²	1,980.00	784.93
2	Dormitory	13,526.96	m ²	1,980.00	2,678.34
3	Dairy Cow Museum	4,673.29	m ²	1,200.00	560.79
4	Pavilion for visit and experience	3,438.70	m ²	1,200.00	412.64
5	Canteen and restaurant	812.70	m ²	1,500.00	121.91
6	Boiler room	220.23	m ²	1,500.00	33.03
7	Guard room, entry disinfection channel and weighbridge room	268.00	m ²	1,500.00	40.20
8	Water pump room	34.11	m ²	1,500.00	5.11
9	Power distribution room (4)	136.44	m ²	1,500.00	20.46
	Subtotal	27,074.71			4,657.41
IV	Other projects				
1	Wells	2.00	Well	350,000.00	70.00
2	Hardening of roads and sites	35,112.00	m ²	160.00	561.79
3	Fence	6,745.00	m	460.00	310.27
4	Vehicle disinfection channel	32.00	m ²	2,200.00	7.04
5	Basketball court	2,026.88	m ²	220.00	44.59
6	Greening	179,718.00	m ²	25.00	449.29
8	Earthwork	84,587.40	m ²	14.00	118.42
9	Site formation	518,028.00	m ²	4.00	207.21
10	Power supply and distribution system	518,028.00	m ²	5.00	259.01
11	Water supply system	518,028.00	m ²	7.00	362.62
12	Fire control system	518,028.00	m ²	5.00	259.01
13	Rainwater system	518,028.00	m ²	5.00	259.01
14	Monitoring system	518,028.00	m ²	3.00	155.41
15	Processing system for cow manure and cow urine	1.00	system		360.00
	Subtotal	3,416,393.28			3,423.67
V	Total construction costs				20,548.72
VI	Installation and decoration works	Calculated at 3% of the construction costs in general			616.46
VII	Total costs for construction and installation and decoration works				21,165.18

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(2) Project Implementation Schedule

According to the Phased Development Plan of Ruijia Farming, 5,000 fine dairy cows will be purchased from 2018 to 2020.

The implementation schedule of the project is as follows:

Year	2018						2019												2020						
	6	7	8	9	10	11	12	1	2	3	4	5	6	7	8	9	10	11	12	1	2	3	4	5	
Complete the feasibility study	█																								
Complete all procedures and approvals and funding		█	█	█	█	█	█	█	█	█															
Preliminary design and construction drawing design, equipment ordering and construction preparation		█	█	█	█	█	█																		
Civil engineering			█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█						
Installation of equipment and facilities, personnel training and purchase of office supplies											█	█	█	█	█	█	█	█	█	█	█	█	█	█	█
Completion of works and putting into production																									

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FROM THE NON-PUBLIC ISSUANCE OF A SHARES (REVISED)**

(3) Equipment Purchase

The price of the equipment is based on manufacturer's quotation or market inquiry. Various equipments required for the project amount to RMB79,845,500, and the installation and commissioning costs are RMB2,395,400. Therefore, the equipments purchase and installation and commissioning costs are RMB82,240,900 in total. The equipments purchased for the project mainly include equipment used in barns, feed processing equipment, milking equipment, manure removal equipment, water supply equipment, power equipment, monitoring equipment, equipment for embryo transfer and fertilization, and inspection equipment used by veterinary. Please see the following table for details:

No.	Name of equipment	Specification and type	Unit	Quantity	Unit price (RMB10,000)	Total price (RMB10,000)
I	Equipment used in barns					
1	Cow cangue	JJ750	cangue	5712	0.03	148.51
		JJ600	cangue	2200	0.02	52.80
		JJ450	cangue	1568	0.02	37.63
2	Barn for cows	WL5000	barn	5610	0.04	196.35
		WL4500	barn	1952	0.04	68.32
		WL4000	barn	548	0.03	17.54
3	Electric shutter (polyethylene composite cloth)		m ²	18908	0.02	415.98
4	Automatic thermostatic drinking water equipment	YSC4000	set	254	0.60	152.40
		YSC3400	set	28	0.48	13.44
		YSC2400	set	40	0.40	16.00
		YSC1200	set	5	0.20	1.00
5	Subtotal					1,119.97
II	Feed processing equipment					
1	Concentrate storage bin		set	5	6.50	32.50
2	Loader	Model 50	suit	2	36.00	72.00
		Model 30	suit	2	24.00	48.00
3	Feeding TMR mixer	Self propelled	set	2	210.00	420.00
4	Feeding TMR mixer	Trailed	set	2	80.00	160.00
5	Automatic calf feeder	1 for 4 plants	suit	8	45.00	360.00
6	Calf milk pasteurization tank	500L	suit	8	8.00	64.00
7	Calf milk refrigerator	1000L	suit	8	4.00	32.00
8	Supplementary feeder for calves		suit	32	0.65	20.80
9	Feed analyzer	infrared	suit	1	35.00	35.00
10	Cow lamp	special cow lamp		2,000	0.08	150.00
11	Subtotal					1,394.30

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No.	Name of equipment	Specification and type	Unit	Quantity	Unit price (RMB10,000)	Total price (RMB10,000)
III	Milking equipment					
1	Rotary milking equipment	80 position	set	2	600.00	1,200.00
2	Side-by-side milking equipment	2*20	set	1	80.00	80.00
3	Gate used to drive the cow		set	2	20.00	40.00
4	Divider door		set	3	15.00	45.00
5	Vertical milk storehouse	30 tons	set	8	30.00	240.00
6	Refrigeration system		set	1	300.00	300.00
7	Water heating equipment for cleaning	5T	suit	2	5.00	10.00
		1T	suit	2	2.50	5.00
8	Hoof repair equipment		suit	2	19.00	38.00
9	Collar					included in milking equipment
10	Refrigeration and cleaning equipment					
11	Subtotal					
IV	Veterinary and milk testing equipment					
1	Equipment and instruments for artificial propagation		set	2	45.00	90.00
2	Veterinary equipment and instruments		set	2	30.00	60.00
3	Testing equipment and instruments for fresh raw milk		set	1	130.00	130.00
4	DHI analysis system		set	1	36.00	36.00
5	Subtotal					
V	Manure removal equipment					
1	Full automatic manure drying and removal equipment (scraping board)		set	39	15.00	585.00
2	Loader	Model 30	suit	2	24.00	48.00
3	Wet and dry separation equipment	65	set	7	18.00	126.00
4	Microfiltration equipment		suit	7	22.80	159.60
5	Feed pump		suit	8	11.00	88.00
6	Recoil pump		suit	2	11.28	22.56
7	Mixing pump		suit	4	9.73	38.92
8	Grille machine		suit	2	3.00	6.00
9	Manure turner		set	2	19.20	38.40
10	Pad spreader	12m ³	set	5	7.00	35.00
11	Manure spreader			2	5.00	10.00
12	Cow bed loosening machine		set	5	0.76	3.80
	Subtotal					
						1,161.28

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FROM THE NON-PUBLIC ISSUANCE OF A SHARES (REVISED)**

No.	Name of equipment	Specification and type	Unit	Quantity	Unit price (RMB10,000)	Total price (RMB10,000)
VI	Water supply equipment					
1	Towerless water supply equipment		set	2	13.50	27.00
2	Water purification equipment		set	2	8.00	16.00
3	Subtotal					43.00
VII	Electrical Equipment					
1	Transformer and box change	800kVA	set	5	35.00	175.00
2	Diesel generator	500kW	suit	2	30.00	60.00
3	Cables and appliances		set	1	520.00	520.00
4	Subtotal					755.00
VIII	Monitoring equipment					
1	Park monitoring equipment		set	1	115.00	115.00
2	Subtotal					115.00
IX	Sewage treatment equipment		set			
1	Sewage treatment equipment		set	1	580.00	580.00
2	Subtotal					580.00
X	Others					
1	Water heating equipment for cow delivery barn		set	1	2.00	2.00
2	Weighbridge (100T3.4*18m))		suit	2	25.00	50.00
3	Forklift	3T	suit	2	10.00	20.00
4	Fire control equipment		set	1	220.00	220.00
5	Natural gas boiler	2T	set	6	15.00	90.00
6	Natural gas pipeline		set	1	160.00	160.00
7	Subtotal					542.00
XI	Total equipment purchase costs				7,984.55	
XII	Total installation and commissioning costs				Calculated at 3% of the equipment purchase costs	239.54
XIII	Total equipment purchase, installation and commissioning costs				8,224.09	

(4) Assessment on the Economic Benefits of the Project

After the completion, this project will provide 68,000 tons of high-quality raw milk, 3,400 male calves, 2,650 female calves and 750 retired cows per year. The normal annual sales revenue of the project is RMB283,200,000 and the average annual total profit is RMB63,371,500, with a payback period of 8.29 years. Each of the main financial and economic indicators of the project is reasonable and feasible, with high operational safety and good economic benefit.

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(5) Project Approval and Filing

The Development and Reform Bureau of Jinchuan District of Jinchang City 《金昌市金川區發展和改革局》 issued the Notice of Development and Reform Bureau of Jinchuan District of Jinchang City on the Change of the Filing of the Recycling Industrial Park Project of a Dairy Farm with 10,000 Dairy Cows of Gansu Ruijia Farming Co., Ltd. in Jinchuan District (Jin Qu Fa Gai (Bei) [2019] No. 126) (《金昌市金川區發展和改革局關於變更甘肅瑞嘉牧業有限公司金川區萬頭奶牛養殖循環產業園項目備案的通知》(金區發改(備)[2019]126號)) on 3 June 2019 and agreed to change the registration and filing of the “Recycling Industrial Park Project of a Dairy Farm with 10,000 Dairy Cows of Gansu Ruijia Farming Co., Ltd. in Jinchuan District”.

The Jinchang Environmental Protection Bureau (金昌市環境保護局) issued the “Reply on the Environmental Impact Report on the Recycling Industrial Park Project of a Dairy Farm with 10,000 Dairy Cows of Gansu Ruijia Farming Co., Ltd. in Jinchuan District ” (《關於甘肅瑞嘉牧業有限公司金川區萬頭奶牛養殖循環產業園項目環境影響報告書的批復》) (金環保發[2018]561號) (Jin Huan Bao Fa [2018] No. 561) on 18 December 2018. Pursuant to the approval opinion, this investment project “Recycling Industrial Park Project of a Dairy Farm with 10,000 Dairy Cows of Gansu Ruijia Farming Co., Ltd. in Jinchuan District” meets all of the environmental protection requirements.

(6) Land Use of the Project

The Recycling Industrial Park Project of a Dairy Farm with 10,000 Dairy Cows in Jinchuan District is implemented at South Beach, Gucheng Village, Shuangwan Town, Jinchuan District, Jinchang City, Gansu Province. All of the surrounding areas have access to electricity and the power is sufficient. The location of the project site enjoys convenient transportation, and the communication, radio and television signals cover the whole area. The project covers a total area of 1,860 mu (畝), among which, the Company intends to purchase 370 mu (畝) in the form of grant, and the local government leases 1,490 mu (畝) of facility agricultural land for free.

According to the Notice of Jinchuan District People’s Government of Jinchang City on the Filing of the First Phase of the Facility Agricultural Land for a Dairy Farm with 10,000 Dairy Cows for the Recycling Industrial Park Project of a Dairy Farm with 10,000 Dairy Cows of Gansu Ruijia Farming Co., Ltd. in Jinchuan District from Jinchuan District People’s Government of Jinchang City (Jin Qu Zheng Tu Fa [2019] No. 2), it is permitted to make filing on the facility agricultural land agreement signed by Ruijia Farming and Shuangwan Town People’s Government and it is agreed that the Company can occupy 1,490 acres of unused state-owned land on the west side of Jin’a Railway of Shuangwan Town as the land for the newly constructed farm project for 10,000 dairy cows.

The Company signed the Land Use Rights Grant Contract with Jinchang Natural Resources Bureau (金昌市自然資源局) in July 2019, pursuant to which the Company intends to acquire 372.20 mu (畝) of project land with its own funds for office, dormitory, exhibition hall and dairy cows breeding purposes. In March 2020, Ruijia Farming obtained certificates of property right entitled Gan (2020) Jin Chuan Qu Bu Dong Chan Quan No. 0000078 and Gan (2020) Jin Chuan Qu Bu Dong Chan Quan No. 0000079 from the Real Estate Registration Authority of Jinchuan District, Jinchang City.

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2. Necessity of Project Construction

(1) Conducive to the supply guarantee of the Company's raw milk

The Company's production base in Sanjiaocheng Town, Yuzhong County, Lanzhou, Gansu, was completed and put into operation in 2003, and its layout was based on the market size, consumption demand and industry characteristics at that time. With a history of nearly two decades since then, some factory buildings are outdated and some equipment is gradually aging. Given that the Company's existing dairy processing base in Yuzhong County can't fully meet the growing diversified needs of dairy consumption market and actual operating issues, namely the upgrade of advanced dairy production processes, such as filling technology, the Company invests and implements the "Reconstruction and Expansion Project with a Capacity of Processing 600 Tons of Liquid Milk Per Day" with its own funds, uses existing production and processing bases and newly purchased surrounding land, relies on experienced and well-qualified engineering design institutes to rationalize and modernize the re-planning, investment and construction, eliminates existing aging production equipment used in backward production processes with low utilization rate and long service life, as well as purchases and builds new production lines to increase the Company's production capacity.

Since the commencement of construction in 2018, the "Reconstruction and Expansion Project with Daily Processing 600 tons of Liquid Milk" has reached the pre-set service status and is expected to be put into operation in 2020. After the project is put into production, the daily processing capacity, annual production capacity, annual output, production process and production efficiency of the Company's dairy products will be improved, and the consumption of raw milk for production will also increase. In addition, the Company completed the acquisition of Dongfang Dairy in November 2018. With the integration of the Company's internal business, brands, channels and the synergy, Dongfang Dairy is expected to achieve growth in revenue and profit in the future, resulting in an increase in demand for raw milk. The implementation and operation of the "Recycling industrial park project of a dairy farm with 10,000 Dairy Cows" will ensure the supply of raw milk for the smooth implementation of the Company's "Reconstruction and Expansion Project with a Capacity of Processing 600 Tons of Liquid Milk Per Day", meet the growing demand on production-use raw milk of the Company and its subsidiaries, and guarantee the stable supply ratio of the Company's own raw milk.

The implementation of the "Recycling industrial park project of a dairy farm with 10,000 dairy cows in Jinchuan District" invested by proceeds raised from the Non-public Issuance will help the Company to meet the increasing demand for raw milk after the "Reconstruction and Expansion Project with a Capacity of Processing 600 Tons of Liquid Milk Per Day" is put into operation, based on existing production and operation and actual requirements for future development plan of the Company, which will optimize the Company's product mix.

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(2) Conducive to further strengthening the Company's product quality control

Since the outbreak of the melamine-related incident triggered by the Sanlu Group's milk powder-related incident in 2008, seeking quality, reliable, fresh and stable raw milk has become a decisive factor affecting the core competitiveness of the industry. Drawing on the experience of national dairy companies such as Mengniu and Yili, the Company has selected cities and counties with rich grass, suitable climate and long cultivation history in Gansu, Qinghai and Ningxia provinces, invested in the construction of various standardized farms, in order to change the traditional raw milk supply mode, strengthen the Company's product quality control, ensure clean, hygienic, fresh raw milk supply, so that the consumers can drink safe milk. With the gradual construction and operation of subordinated pastures, the proportion of raw milk supplied by the Company's own farms has increased year by year. In 2018, the proportion of raw milk supplied by the Company's own farms was 53.10%, of which the proportion of raw milk supplied by its own cows was 38.28%. The implementation of the "Recycling industrial park project of a dairy farm with 10,000 dairy cows" will help to further increase the Company's own milk supply ratio, and protect the Company's product quality from the source, achieving long-term, stable and sustainable development of the Company.

(3) Conducive to meeting the growing demand for low temperature products

With the continuous improvement of people's consumption level and the growing awareness of health, milk has become an indispensable important part of our living. The demand for dairy products continues to grow, and the market share has increased year by year, of which the average growth rate of Gansu, Qinghai and Shaanxi regional dairy consumption is about 10%. In addition, the change and rise of consumption concepts such as low temperature, freshness, short guarantee period, maintenance of nutrients as much as possible, etc., make the consumption demand of low-temperature dairy products increase rapidly in recent years, and also raise higher requirements on raw milk supply radius, storage, delivery conditions and time for dairy processing enterprises. The implementation location of the "Recycling industrial park project of a dairy farm with 10,000 dairy cows" is Jinchang City, Gansu Province. It is close to the Company's production base in Yuzhong and its subsidiary Qinghai Lake Dairy, so it can effectively shorten the delivery time of raw milk output to processing and production, thus meet the growing demand on low-temperature dairy consumption demand.

(4) Conducive to the smooth implementation of the previous investment projects

In April 2018, our subsidiary, Ningxia Zhuangyuan received the "Notice on Closure and Relocation of Farms in Animal and Poultry Forbidden Areas", and the "Litong District Implementation Plan for Closure or Relocation of Farms (Communities) in Animal and Poultry Forbidden Areas", issued by the People's Government of Litong District, Wuzhong City. To further promote the feedback rectification opinions of the inspector from the Central Environmental Protection Inspection Team, control the pollution of animal and poultry breeding, and protect the ecological environment, the core dairy breeding area in Jinyin Beach, where Ningxia Zhuangyuan is located, has been included in the Animal and Poultry Breeding Forbidden Areas and the scope of closure and relocation. Ningxia Zhuangyuan is one of the implementation entities of the "10,000 imported fine cows farming construction project" to be invested by proceeds raised from the Company's A-share IPO.

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As the investment attraction project of the local government, Ningxia Zhuangyuan Pasture has been included in the forbidden areas, resulting in less venues for cow breeding undertaken by the implementation entities proposed upon the initial public offering of A shares, it is necessary to acquire new land for breeding. Therefore, the implementation of the “Recycling industrial park project of a dairy farm with 10,000 dairy cows” is conducive to the Company’s pastures to cope with the future relocation risks caused by new environmental protection requirements, which is conducive to the smooth implementation of the Company’s previous investment projects.

(5) Conducive to coping with the relocation risk of breeding pastures

In April 2019, the Company’s subsidiary, Qinghai Shengyuan received the Notice of Closure within the Time Limit issued by Huangyuan County People’s Government. According to the relevant requirements of the Notice of the General Office of Xining City People’s Government on Printing and Distributing the Relocation Plan of the Farms along the Huangshui River in Xining City (Ning Zheng Ban [2016] No. 107), the Ordinance on Pollution Prevention and Control in Huangshui Watershed of Qinghai Province, the Work Plan of Water Pollution Prevention and Control in Qinghai Province, the Notice of the General Office of Xining City People’s Government on Printing and Distributing the Delimitation Plan for Forbidden Areas & Restriction Areas for Animal and Poultry Breeding in Xining City (Trial) (Ning Zheng Ban [2017] No. 143) and the Delimitation Plan of Forbidden Areas, Restricted Areas and Breeding Areas for Animal and Poultry Breeding in Huangyuan County (Yuan Zheng Ban [2016] No. 163), the breeding area of Qinghai Shengyuan has been delimited into forbidden areas for animal and poultry and included in the range of closure and relocation. Ruijia Farming is the implementation entity of the “Recycling Industrial Park Project of a Dairy Farm with 10,000 Dairy Cows”. The implementation location is at a standardized and large-scale industrial park which is beyond the forbidden area as confirmed by Jinchuan District People’s Government of Jinchang City and the Bureau of Agriculture and Rural Areas of Jinchuan District of Jinchang City. It is conducive for the Company’s pastures to cope with the relocation risks caused by new environmental protection requirements, to ensure the normal operation of the Company’s pastures and supply of raw milk for the Company’s production.

3. Feasibility of Project Construction

(1) Greater Growth Potential of the Dairy Products Industry

In 2000, the per capita consumption of dairy products in China was only 7 kilograms, and in 2017 it reached 36.9 kilograms, an average of 100 grams per day, reflecting an obvious growth. Despite this, the per capita consumption level of dairy products is still far from the daily 300-gram standard recommended by the Dietary Guidelines for Chinese Residents, and also less than half of the average consumption level of dairy products in Asia and one-third of the average consumption level in developed countries. In particular, as rural residents accounting for half of the national population still seldom drink milk, the growth of milk consumption has large market potential. With the income growth of urban and rural residents, the acceleration of urbanization and student drinking milk programs promotion, and the implementation of the comprehensive second-child policy, China’s dairy product consumption market will maintain a continuous and steady growth.

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In recent years, the domestic economy has shown a steady and positive development trend. The per capita disposable income of the national residents has increased faster than the GDP growth rate, and the contribution of consumer expenditure to economic growth has increased year by year. In particular, as the income gap between urban and rural residents continues to shrink, the per capita consumption expenditure of rural residents is higher than that of urban residents, which has effectively boosted the consumption of dairy products in third- and fourth-tier cities and rural markets. In addition, the rapid development of convenience stores, e-commerce platforms, maternal and child stores and other channels has promoted the simultaneous growth of online and offline dairy market. With the improvement of residents' living standard and accelerated upgrading of food consumption, combined with the implementation of national strategies such as "Healthy China" and "Village Revitalization", domestic dairy consumption scale will continue to expand in the future, and the industry growth rate will increase steadily.

The implementation of the "Recycling Industrial Park Project of a Dairy Farm with 10,000 Dairy Cows" funded by the proceeds raised will help the Company meet its increasing demand for raw milk after the "Reconstruction and Expansion Project with Daily Processing 600 Tons of Liquid Milk" is put into operation, which in turn will be translated into end-use dairy production so as to achieve the growth of its sale revenue, which is in line with the continuous growth of the dairy industry with good market space.

(2) National and Local Policy Support

It is the general ideas and guidance for agricultural development in China during the "13th Five-Year Plan" period and even the period thereafter that the animal husbandry should be vigorously developed, the structure of animal husbandry adjusted, the development of dairy production highlighted, the industrialization of dairy industry proactively promoted, and the proportion of milk in the national diet increased. Since 2017, the General Office of the State Council, the Ministry of Agriculture, the National Development and Reform Commission and others have promulgated and issued the National Dairy Development Plan (2016-2020), the National Nutrition Plan (2017-2030), the Opinions on Promoting the Revitalization of Dairy Industry to Ensure the Quality and Safety of Dairy Products, Opinions on Further Promoting the Revitalization of Dairy Industry, Opinions of the Central Committee of the CPC and the State Council on Giving Priority to the Development of Agricultural and Rural Area and Deal with Matters in relation to Agriculture, Rural areas and Farmers Properly (No. 1 Document of the Central Committee of the CPC in 2019) and other documents, to further coordinate the development of Holstein cattle and other dairy animals, promote the coordinated development of milk source base construction, forage planting and dairy processing, achieve the comprehensive production capacity of dairy industry greatly improved by 2020, with the proportion of farms with a scale of more than 100 heads up to more than 65%, and achieve a self-sufficiency rate of milk source of over 70% by 2020, which has clarified the position of the dairy industry in the national economy, and the development direction and development goals of dairy products in the future.

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The “Opinions of the Gansu Provincial People’s Government of CPC Gansu Provincial Committee on Further Deepening Rural Reform and Accelerating Agricultural Modernization” puts forward: based on the provincial conditions, with the goal of increasing farmers’ income and improving agricultural efficiency, develop scale farming, support leading enterprises, build breeding communities, expand pilot projects of the whole industry chain of modern animal husbandry, accelerate the construction process of 35 modern animal husbandry demonstration counties and 4 grassland agricultural pilot counties, implement support policies, support key agriculture leading enterprises to become bigger and stronger, and newly build 600 standardized farms (communities).

The Company has been successively assessed as a national key leading enterprise of agricultural industrialization jointly by several ministries and commissions for many years. The implementation of this project funded by proceeds from the non-public issuance is supported by national and local policies, meets the requirements of relevant industry policies against the background of great governmental support for animal husbandry and dairy manufacturing, and has a good policy feasibility basis.

(3) Good Economic and Social Effects

Following the completion of the Recycling Industrial Park Project of a Dairy Farm with 10,000 Dairy Cows in Jinchuan District, it is expected to provide 68,000 tons of high-quality raw milk, 3,400 male calves, 2,650 female calves and 750 retired cows per year. The normal annual sales revenue of the project will be RMB283,200,000 and the total average annual profit will be RMB63,371,500, with a payback period of 8.29 years. As each of the main financial and economic indicators is reasonable and feasible, the project has high operational safety and good economic benefit. In terms of the designed breeding scale, after the project is completed and put into production, a large amount of silage, alfalfa, corn and other green fodder are needed, which will in turn bring more jobs and the needs for personnel. Moreover, the surrounding areas of the project implementation entity are the above-mentioned agricultural raw material breeding areas, and the per capita income level of the locals is low. The implementation of this project provides a reliable sales channel for the feed crops planted by local farmers. Through the integrated operation of dairy products production, process and sales, the single, extensive and backward traditional animal husbandry industry will be changed, it will achieve a win-win situation between the Company and the farmers, promote local economic development, reflect the social responsibility assumed by the Company as the national leading enterprise in agricultural industrialisation with good economic and social effects.

(4) Rich Farming Experience and Professional Talent Reserve

Since the outbreak of the melamine-related incident triggered by the Sanlu Group’s milk powder-related incident in 2008, in order to seek quality, reliable, fresh and stable raw milk, strengthen the product quality control from the source, the Company has invested in the construction of nine standardised, large-scale and modernised farms with its own funds in Gansu and gradually put them into production. The Company strengthened cooperation with local dairy farmers under the “company + base + farmers” model, integrated the farming resources in the surrounding areas, promoted the transformation of the farming model from decentralisation to large scale, from small scale to specialization, from low capacity to high capacity, and achieved good multi-win results for

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the Company, surrounding farmers and dairy farmers. The Company has accumulated rich practical experience in the construction, operation, management, etc. of farms, and reserved necessary professional talents, whereby laying a solid foundation for the smooth implementation of the “Recycling Industrial Park Project of a Dairy Farm with 10,000 Dairy Cows in Jinchuan District” of the Company.

(II) Repayment of Bank Borrowings

1. Project Overview

The Company intends to use the net proceeds from the non-public issuance of A shares of RMB40 million to repay bank loans, so as to reduce the indebtedness, optimize the asset structure, decrease the financial expenses, and improve the profitability of the Company.

2. Feasibility and Necessity of Project Implementation

With the constant development of the business of the Company and the investment in the construction of the “Reconstruction and Expansion Project with Daily Processing 600 Tons of Liquid Milk”, the Company has borrowed more bank loans to meet the capital requirements for its daily operations in recent years, which in turn resulted in a significant increase in its indebtedness, especially the short-term loans. Before the proceeds from the non-public issuance are readily available, the Company will invest its own funds in the projects according to the actual progress of the projects. With the further implementation of the Recycling Industrial Park Project of a Dairy Farm with 10,000 Dairy Cows, the bank loans of the Company are expected to further increase in the future.

Based on the Announcement of Unaudited Annual Results for the Year ended 31 December 2019 of Lanzhou Zhuangyuan Pasture Co., Ltd. disclosed on 31 March 2020, as of 31 December 2019, the balance of the long-term borrowing of the Company was RMB227,327,000, representing an increase of 474.52% from the end of 2018, with a consolidated gearing ratio of 50.84%, representing an increase of 20.56% from the end of 2018. As of 31 December 2019, the Company’s liquid ratio and quick ratio were 0.64 and 0.54 respectively, both lower than that in 2018. With the further implementation of the Recycling Industrial Park Project of a Dairy Farm with 10,000 Dairy Cows invested by our own funds, the Company expected that there would be a further increase in its bank loans, resulting in a higher pressure of debt repayment on the Company in the future.

The Company will apply the proceeds from the non-public issuance to repay some bank loans, which will result in a decrease in the Company’s indebtedness (especially the short-term loans) and financial expenses, an optimised asset structure, and an improved financial soundness, risk resistance capacity and financing capability, which is in the interests of all shareholders of the Company.

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IV. IMPACT OF THE NON-PUBLIC ISSUANCE ON THE COMPANY

(1) The impact on the operation and management of the Company

The principal businesses of the Company are the production, processing and sale of dairy products and dairy cows farming in the food manufacturing industry. The Construction Project of a Dairy Farm with 10,000 Dairy Cows in Jinchuan District funded with the proceeds from the non-public issuance falls within the scope of the cow farming related business. It will provide a strong guarantee for the sustained supply of raw milk for the Company's production; it accords to the relevant national industrial policies and the actual requirements of the production and operation and development plans of the Company; it enjoys good prospect for market development and benefits. This is conducive to increasing the supply capacity of raw milk for the Company's production, optimising the Company's product mix, and increasing the profitability of the principal businesses and the ability of sustainable development of the Company, thus laying a solid foundation for the expansion of production capacity and further expansion of market. The proceeds raised will be applied in part to repay bank loans, which will help the Company reduce the gearing ratio, increase the capital base, optimise the asset structure of the Company, and improve the financial soundness and the ability to resist risks. Therefore, the non-public issuance will strengthen the product quality control and the profitability of the principal businesses of the Company, and enhance the ability to resist risks and make continuous innovation, whereby laying a solid foundation for its further development in the future.

Following the non-public issuance, there was no change in the control of the Company, and the *de facto* controller before and after the issuance is Mr. Ma Hongfu. Ruijia Farming, a wholly-owned subsidiary of the Company is the implementation entity of the project funded with the proceeds. The Company has invested in the construction of nine standardised, large-scale and modernised farms with its own funds and gradually put them into production, and has accumulated rich practical experience in the construction, operation, management of farms, etc., and reserved necessary professional talents. There will be no change in the management system of the Company after the completion of the projects funded with the proceeds.

(2) The impact on the financial position of the Company

This non-public issuance will help enlarge the scale of assets of the Company, further strengthen the capital base of the Company, downsize the scale of liabilities and lower the gearing ratio, improve the financial anti-risk ability, help optimize the capital structure of the Company and further improve the overall financial conditions of the Company. With the gradual implementation and construction of the projects funded by the proceeds from the issuance, there may be a decrease in the key financial indicators such as the return on net assets and earnings per share of the Company, due to dilution of immediate earnings. However, as the projects continuously generate benefits, there will be a steady growth in income, a further improved profitability and anti-risk ability and significantly improved overall strength, benefiting the long-term development of the Company. Once the "Construction Project of a Dairy Farm with 10,000 Dairy Cows in Jinchuan District" is completed and put into production, it will record a normal annual sales revenue of RMB283,200,000 and a total average annual profit of approximately RMB63,371,500.

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- (3) Changes in the business structure of the Company after the non-public issuance

After the implementation of the investment projects funded with the proceeds from the non-public issuance, there will be no material changes in the business structure of the Company.

- (4) Changes in the related party transactions between the Company and the entities controlled by the de facto controllers, the controlling shareholders and the related parties

There will be no new related party transactions between the Company and the entities controlled by the de facto controllers, the controlling shareholders and the related parties as a result of this non-public issuance.

- (5) Changes in the horizontal competition between the Company and the entities controlled by the de facto controllers, the controlling shareholders and the related parties

There will be no horizontal competition between the Company and the entities controlled by the de facto controllers, the controlling shareholders and the related parties as a result of this non-public issuance.

- (6) Is there any circumstance under which the funds and assets of the Company are occupied by the controlling shareholders and their affiliates, or any listed company provides guarantees for the controlling shareholders and their affiliates after the completion of the issuance?

There is no circumstance under which the funds and assets of the Company are occupied by the controlling shareholders and their affiliates, or the Company provides guarantees for the controlling shareholders, the *de facto* controllers and their related parties.

There will be no circumstances that the funds and assets of the Company are occupied by the de facto controllers, the controlling shareholders and the related parties as a result of this non-public issuance. There will be no circumstances that the Company provides guarantees for the de facto controllers, the controlling shareholders and the related parties as a result of this non-public issuance.

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SECTION IV DESCRIPTION OF THE RISKS RELATING TO THE ISSUANCE

In evaluating the non-public issuance of shares of the Company, investors shall especially consider the following risk factors in addition to all other information provided under the plan:

I. MARKET COMPETITION RISKS

(1) Risk relating to the increased industrial competition

With the improvement of the quality of life of Chinese residents, consumption upgrade brought about by increased purchasing power per capita and consumers' deeper understanding of dairy products, the dairy industry is facing good development opportunities. High-quality and distinctive dairy products are increasingly favored by urban and rural consumers with an optimistic prospect. Therefore, in the current environment, the regional urban dairy companies that have safe and stable milk source bases, reasonable sales radius, and approachable regional culture will demonstrate increasingly competitive advantages and further improve their market share.

With the rapid development of the dairy industry, the national dairy companies may accelerate their entry into regional markets, and may enter Gansu province and its surrounding areas through mergers and acquisitions, self-construction and other ways, which will increase their brand awareness and influence in the Gansu market, thus intensifying the market competition and bringing greater market impact to local dairy companies in Gansu province, including the Company. If the Company fails to take effective measures to deal with the competition, it may face the risks of a decline in both market share and operating results and a slowdown in development.

As a regional branded urban dairy company, the Company has certain competitive advantages in regional market share, regional brand awareness and product structure, milk source control, marketing network, and customer resources, etc.. However, if it fails to achieve rapid improvement in scale, products, technologies and market expansion and enhance its market position in the competition, the Company may face the risks of a decline in both market share and operating results and a slowdown in development. Therefore, the Company will be subject to the risk of increased industrial competition.

(2) Risk relating to relying on regional markets

During the reporting period, as a regional dairy company, the Company enjoyed competitive advantages in terms of regional market share, regional brand awareness and product structure, milk source control, marketing network and customer resources. The main business income of the Company mainly derives from Gansu, Qinghai and Shaanxi provinces, and during the reporting period, the main business income from these regions accounted for more than 90% of the total main business income of the Company, and the Company's products are less involved in the more developed central and eastern regions. However, with the increase of Mengniu and Yili's investment in the northwest region and the growth of local dairy companies, the Company will gradually face increasing pressure in the marketing strategy and the development of new products and the competitive advantages of the Company in the Gansu, Qinghai and Shaanxi markets will be affected.

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Gansu, Qinghai, and Shaanxi regions are the key areas for the business development of the Company. In the future, the Company will continue to deeply explore the Northwest region, develop competitive products for key markets, and further amplify the regional advantages of the Company. However, if there is any adverse change in the regional market covered by the dairy products of the Company and the Company fails to make proper adjustments in a timely manner, the operating results of the Company will be adversely affected in the short term.

II. RISK RELATING TO THE INSUFFICIENT SUPPLY OF RAW MATERIALS AND PRICE FLUCTUATION

The main raw materials used in the production of the Company include raw milk, various packaging materials, and other excipients such as sugar and flavor. Large fluctuations in the market prices of major raw materials will have a significant impact on production costs and thus affect the operating results of the Company.

During the reporting period, the raw milk accounted for a relatively high proportion, or approximately 60%, in the production costs of the Company. Currently, the Company has effectively met its demand for raw milk through its own pastures and procurement from third parties, and has thus actively ensured the long-term stable supply of raw milk by expanding the breeding scale of self-owned pastures and establishing good cooperative relations with large-scale milk supply enterprises. However, if the dairy companies' demand for raw milk exceeds the effective supply of raw milk, or there is insufficient supply of imported main raw materials (excipients) due to the impact of supply and demand in the international market and the related import and export policies of the government, the Company will be subject to the risk of insufficient supply of raw materials.

III. MANAGEMENT RISKS

(1) Risk that we may lose our core key staff and may be unable to attract outstanding talents

Core technical staff is the foundation for the survival and development of the Company, and to some extent, the quality assurance of the products of the Company relies on the capabilities of the technicians and front-line production management staff in terms of understanding, mastering and controlling techniques and processes formed based on their years of experience. The working attitude, working ability and working efficiency of the technical backbones and related production management staff of the Company is one of the bases for maintaining technical advantages and product quality advantages. A group of excellent management talents and technical talents cultivated by the Company during a long period are the core competitiveness which enables the Company to develop continuously and stably. During the reporting period, the business backbone team of the Company has been stable, thus ensuring the stability of the operating results of the Company. Meanwhile, the Company introduced a restricted stock incentive plan in 2019 to ensure that the stability of the existing core management staff and technical (business) staff can be maintained during the next five years. With the rapid expansion of the business of the Company in the future, the Company needs to attract numerous professional talents and backbones of operation and management. If we fail to maintain the stability of the existing professional talents and the backbone team of operation and management or fail to attract external excellent talents, the sustained and stable business development of the Company will be affected.

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(2) Risk that the development strategies may not be appropriately developed or effectively implemented

In recent years, the development of dairy industry has been promising, and the business scale of the Company has been expanding steadily. According to the evolving market situations, the management of the Company has formulated several material development strategies related to its future development, including actively expanding the production scale and the self-built pastures, and accelerating the adjustment of product structure. The implementation of these strategies will effectively respond to market changes, ensure the supply of raw milk of the Company and promote the continuous and stable improvement of the performance of the Company. However, if the management ability of the Company cannot be improved, or if the development strategies are not in line with the actual situation of the Company or are unable to meet the expansion demand of the Company, or if the development strategies are not effectively implemented, it will have an adverse impact on the development of the Company.

IV. RISK RELATING TO THE INVESTMENT PROJECTS FUNDED WITH THE PROCEEDS

(1) Risk that the proceeds raised may not be readily available

The total amount of the investment project funded with the proceeds from this issuance is RMB538,345,700, the total amount of the Recycling Industrial Park Project of a Dairy Farm with 10,000 Dairy Cows in Jinchuan District is RMB498,345,700, and the amount of repayment of bank loans is RMB40,000,000. The Company intends to use the proceeds of RMB380,000,000 to make investments, among which, RMB340,000,000 will be used to invest in the Recycling Industrial Park Project of a Dairy Farm with 10,000 Dairy Cows in Jinchuan District, RMB40,000,000 will be used to repay bank loans, and the shortfall will be financed by the Company's own funds. The above plan for the use of the proceeds is based on the Company's own development demand and the special business model of the industry in which the Company carries on its business after overall consideration of certain relevant factors such as current domestic policy environment, market demand, industry trend, current financing policy and future development plan. As there is a review period for the issuance and listing of A shares from the non-public issuance, it is uncertain as to whether it can be approved by the China Securities Regulatory Commission. Thus there is a risk that the proceeds raised from issuance of A shares may not be readily available. If the proceeds from issuance of A shares are not readily available, the construction cycle and expected income of the above projects will be affected.

(2) Risk that the return on net assets may decline

Upon the completion of the non-public issuance of A Shares, to a certain degree, the total share capital and net assets of the Company will increase significantly. Since it will take a certain period of time to implement the Recycling Industrial Park Project of a Dairy Farm with 10,000 Dairy Cows in Jinchuan District, the income from the project will be gradually materialised only after the completion, and there is a period from dairy breeding to milk production, the Company's net profit may not grow at a pace lower than its net assets during the year, there is a risk of a drop in the main indicators of the Company such as return on net assets and earnings per share arising from the increase of net assets and equity.

The Company will implement the projects as planned and invest its own funds in certain projects which will be replaced by the proceeds once readily available, so as to accelerate the implementation of projects, smoothly achieve the designed production capacity as early as possible, improve the return on net assets and bring better returns to the shareholders.

**APPENDIX I FEASIBILITY REPORT ON THE USE OF PROCEEDS RAISED
FROM THE NON-PUBLIC ISSUANCE OF A SHARES (REVISED)**

(3) Risk relating to the project operation

After the implementation of the investment projects funded with the proceeds from this issuance, the supply ratio of the Company's production-use raw milk will be further enhanced, the Company's product mix will be further optimised, the business scale will be further expanded, and the comprehensive strength and profitability will be improved. Although the investment projects funded with the proceeds from this issuance are in line with the national industrial policies and industry development trend, which have a good market prospect. The Company researches the feasibility of the investment projects funded with the proceeds from this issuance, but the success of the projects largely depends on the level of operation and management, including the continuous management and improvement of certain aspects such as human resource, market development, financial management and supply chain. If the Company encounters the management bottleneck such that the relevant businesses could not operate smoothly, the operation cost exceeds expectation and the operation efficiency and quality fails to meet the requirements, the operation results of the current business of the Company and the implementation and efficiency of the investment projects funded with the proceeds from this issuance will be adversely affected.

(4) Risk that the investment projects funded with the proceeds from this issuance may not achieve the expected benefits

The investment projects funded with the proceeds from this issuance include the Recycling Industrial Park Project of a Dairy Farm with 10,000 Dairy Cows in Jinchuan District and repayment of bank loan. The Company has made full preliminary research and strict feasibility study on the use of the above proceeds, the implementation of the above investment projects funded with the proceeds from this issuance are in line with the spirit of the national documents including National Dairy Development Plan (2016-2020), the Opinions on Promoting the Revitalization of Dairy Industry to Ensure the Quality and Safety of Dairy Products and the Opinions on Further Promoting the Revitalization of Dairy Industry, conform to the future development strategy of the Company and are conducive to the development of the main businesses of the Company. However, based on the uncertain or uncontrollable factors such as the current market environment, industry policies and technology innovations, whether the investment projects funded with the proceeds from this issuance will be implemented smoothly in the future and the difference between market expansion and product price after implemented with those of expected by the Company, thus there is a risk that the investment projects funded with the proceeds from this issuance could not achieve the expected benefits.

(5) Risk that the new raw milk could not be sold up

Base on the good growth prospects of the domestic dairy consumption market and the time of the establishment of the factory and the current conditions of the production and sales, the Company implements the "reconstruction and expansion project with a capacity of processing 600 tons of liquid milk per day" with its own funds, which has reached the pre-set service status, and is expected to be used in 2020. In order to meet the new demand of raw milk after the implementation of this project, the Company intends to implement the "Recycling Industrial Park Project of a Dairy Farm with 10,000 Dairy Cows in Jinchuan District" to provide the necessary raw milk guarantee for the Company, meet the growing demand for production-use raw milk of the Company and its subsidiaries, and ensure the stable supply ratio of the Company's own raw milk. Although the Company has thoroughly explored the market prospect and feasibility study at the stage of scale design of the new production capacity and formulates special measures for the sale of future products, based on the uncertain or uncontrollable factors such as future market environment, industry policies and demand structure, it is uncertain as to whether the new raw milk could be sold up after the implementation of the investment projects funded with the proceeds from this issuance, there is a risk that the new raw milk could not be sold up.

**APPENDIX I FEASIBILITY REPORT ON THE USE OF PROCEEDS RAISED
FROM THE NON-PUBLIC ISSUANCE OF A SHARES (REVISED)**

V. RISK RELATING TO THE NON-PUBLIC ISSUANCE

(1) Risk relating to the approval of the non-public issuance

As the non-public issuance needs to be approved by the general meeting of the Company, it is possible that the plan could not be passed by voting at the general meeting of the Company. The non-public issuance also needs to be approved by China Securities Regulatory Commission, it is uncertain as to whether and when the approval of China Securities Regulatory Commission will be obtained. Therefore, there is uncertainty about whether the plan of the non-public issuance will be successfully implemented.

(2) Issuance risk

The Company intends to issue A shares to not more than 35 specific targets under the non-public issuance who satisfy the relevant requirements and raises funds therefrom. As affected by various factors including fluctuation in the securities market and the trend of the share price of the Company, there are risks about the issuance and insufficient funds in the non-public issuance.

(3) Risk that the return on net assets will be diluted after the completion of the issuance

Although the investment projects funded with the proceeds from the issuance are expected to bring good benefits, it takes some time to reach the expected production capacity and achieve the benefits. Before the achievement of the benefits of the investment projects funded with the proceeds from this issuance, the issuer's net profit may grow at a pace lower than its net assets, and the issuer will face the risk of dilution on current return indicators including earnings per share and weighted average ROE in the short term.

(4) Risk relating to the stock market

The shares of the Company are listed on the Shenzhen Stock Exchange. In addition to the operation and finance conditions, the price of shares of the Company will also be affected by various factors such as international and domestic macro-economic trend, capital market trend, market preference and all kinds of important emergencies. Investors should forecast the investment risks arising from the above factors and make prudent judgments when considering the investment in the shares of the Company.

**APPENDIX I FEASIBILITY REPORT ON THE USE OF PROCEEDS RAISED
FROM THE NON-PUBLIC ISSUANCE OF A SHARES (REVISED)**

VI. FEASIBILITY ANALYSIS CONCLUSION

Having made careful analysis, the Board of Directors is of the view that the investment projects funded with the proceeds from the non-public issuance of A shares are in line with the national and local industrial policies, the industry development direction, the actual requirements for production and operation, and the development plans of the Company, which will further increase the proportion of the supply of its own raw milk, strengthen the control on product quality, optimise the product mix, promote the sustained growth of the principal businesses, and enhance the profitability of the Company. Meanwhile, following the non-public issuance, there will be an increase in the Company's total assets and net assets and a decrease in the Company's gearing ratio, resulting in an optimised asset structure and an enhanced anti-risk ability of the Company, which is in the interests of all shareholders of the Company.

The Board of Directors
Lanzhou Zhuangyuan Pasture Co., Ltd.

3 April 2020

Stock Code: 002910

Stock Abbreviation: Zhuangyuan Pasture

Announcement No.: 2020-028

Lanzhou Zhuangyuan Pasture Co., Ltd.
Announcement on Recovery Measures against and Risk
Warning for Diluting the Current Returns by Non-public
Issuance of A Shares (Revised)

The Company and all members of the Board warrant that the contents of the announcement are true, accurate and complete, and there are no false records, misleading statements or major omissions.

Important: The following analysis of the impact on key financial indicators of the Company and the description of the recovery measures after the non-public issuance of A shares do not constitute the profit forecast and profit guarantee of the Company. Investors should not make their investment decision based on such information only and the Company will not be held liable for any loss howsoever arising therefrom.

Lanzhou Zhuangyuan Pasture Co., Ltd. (蘭州莊園牧場股份有限公司) (the “Company” or “Zhuangyuan Pasture”) intends to conduct the Non-public Issuance of A Shares (“Non-public Issuance”). Relevant matters have been deliberated and approved at the 29th meeting of the third session of the Board of Directors convened on 5 December 2019, and deliberated and approved at the first Extraordinary General Meeting of the Company in 2020 and the first class meetings of A and H shareholders of the Company in 2020, all convened on 17 January 2020. The Company has adjusted the plan of the Non-public Issuance according to the new refinancing policy issued by the China Securities Regulatory Commission. The revised plan of the Non-public Issuance has been deliberated and approved at the 36th meeting of the third session of the Board of Directors, which is still required to be submitted to the general meeting (including the class meetings of A and H shareholders) of the Company for consideration and is subject to the approval of China Securities Regulatory Commission.

According to relevant requirements of the Opinions of the State Council on Further Promoting the Healthy Development of the Capital Market (Guo Fa [2014] No. 17) (《國務院關於進一步促進資本市場健康發展的若干意見》(國發[2014]17號)), the Opinions of the General Office of the State Council on Further Strengthening the Protection of the Legal Rights and Interests of Small and Medium Investors in the Capital Market (Guo Ban Fa [2013] No. 110) (《國務院辦公廳關於進一步加強資本市場中小投資者合法權益保護工作的意見》(國辦發[2013]110號)), and the Guiding Opinions on Issues Related to Diluted Current Returns from Initial Issuance, Refinancing and Major Asset Reorganization (Zheng Jian Hui Gong Gao [2015] No. 31) (《關於首發及再融資、重大資產重組攤薄即期回報有關事項的指導意見》(證監會公告[2015]31號)), in order to safeguard the right of information and to protect the interests of small and medium investors, the Company carefully analyzed the impact of the non-public issuance on diluted current returns, and the impact of diluting the current returns by the adjusted non-public issuance on key financial indicators of the Company and the recovery measures taken by the Company as explained below:

I. THE IMPACT OF DILUTING THE CURRENT RETURNS BY THE NON-PUBLIC ISSUANCE ON KEY FINANCIAL INDICATORS OF THE COMPANY

The number of shares under this non-public issuance does not exceed 43,000,000 shares (inclusive), and the total amount of proceeds does not exceed RMB380 million. After the completion of the non-public issuance, the total share capital and net assets of the Company will increase. As it will take a certain period of time to generate benefits from the projects to be invested, the Company will face the risk of diluted earnings per share and a decline in return on net assets. The details are as follows:

(I) Main Assumptions

The following assumptions are solely made for the purpose of estimating the impact of diluting the current returns by the non-public issuance on key financial indicators of the Company, and do not represent the Company's judgment on its operating conditions and the trends in 2020, nor does it constitute a profit forecast and cash dividend commitment. Investors should not make their investment decision based on such information only and the Company will not be held liable for any loss howsoever arising therefrom.

1. It is assumed that there would be no significant adverse changes in the macro-economic environment, the general policy of the industry, the development trend of the industry, the market situation of the products and the operating environment of the Company.
2. It is assumed that the Company could complete the non-public issuance at the end of September 2020, which will be only used to calculate the impact of diluting the current returns by the non-public issuance on key financial indicators of the Company, does not represent the judgment of the Company. The actual completion date after the approval of this issuance by China Securities Regulatory Commission shall prevail.
3. It is assumed that the number of shares under the non-public issuance would be 43,000,000 shares (inclusive, the final number of shares issued will be determined by the Board and the sponsor through negotiation in accordance with the authorization of the general meeting, the relevant regulations of China Securities Regulatory Commission and the subscription quotations from buyers). The above number of shares issued does not exceed 30% of the total share capital of the Company before the non-public issuance. It is assumed that the total share capital of the Company would be increased from 190,680,600 shares to 233,680,600 shares after the issuance. When predicting the total share capital of the Company, only the impact of the non-public issuance of shares will be considered based on the total share capital of the Company as of the date on which this plan is announced, and the changes in the share capital caused by other adjusting events will not be considered.
4. It is assumed that the total proceeds from the non-public issuance would be the upper limit of the issuance plan. The total proceeds to be raised will be RMB380 million, excluding the impact of issuance expenses. The actual amount of the proceeds will be subject to the approval by China Securities Regulatory Commission, the subscription of the issuance, issuance expenses, etc.

5. The Company disclosed the Announcement of Unaudited Annual Results for the Year ended 31 December 2019 of Lanzhou Zhuangyuan Pasture Co., Ltd. on 31 March 2020. Therefore, the financial indicators for 2019 used to project the impact of diluting the current returns by the non-public issuance on key financial indicators of the Company are extracted from the above-mentioned announcement.

Based on the results announcement, the Company recorded provisions for goodwill impairment and fixed asset impairment for 2019, leading to lower net profit and net profit after deducting non-recurring gains and losses for 2019 as compared with those for 2018. In the meantime, the original shareholders of Xi'an Dongfang Dairy Co., Ltd.* (西安東方乳業有限公司) had to fulfill the compensation obligation due to the failure to meet the performance commitments, resulting in a significant difference between the Company's net profit and net profit after deducting non-recurring gains and losses for 2019. Based on actual operating conditions, the possibility for the Company to provide for asset impairment for 2020 is expected to be low. As such, to estimate the impact of diluting the current returns by the non-public issuance on key financial indicators of the Company more objectively and accurately, it is assumed that the net profit of the Company attributable to shareholders of the parent company and net profit attributable to shareholders of the parent company after deducting non-recurring gains and losses in 2020 would increase by 0%, 10% and -10%, respectively, compared to the data of 2019, excluding the above asset impairment (the net profit attributable to shareholders of the parent company and net profit attributable to shareholders of the parent company after deducting non-recurring gains and losses amounted to RMB70,000,000 and RMB65,000,000 respectively) (this assumption will be only used to calculate the impact of the non-public issuance on major indicators, and does not represent the Company's judgment on the operating conditions and the trends in 2019).

6. The impact of the non-public issuance on the Company's other production operation and financial conditions (e.g. financial expenses, investment income) will not be considered.
7. In predicting the Company's net assets after the issuance, the impact of other factors other than cash dividends, proceeds and net profit on net assets will not be considered.

It is assumed that the Company's cash dividends in 2019 would be 20% of the net profit attributable to shareholders of listed companies achieved in 2019 and be implemented in August 2020.

8. It is assumed that the impact of bank interest before the raised funds are not used will not be considered.
9. It is assumed that except for the non-public issuance, the Company will not implement other actions that would have an impact on its total share capital in 2020.

APPENDIX II
**PROPOSED DILUTION OF CURRENT RETURNS
AND REMEDIAL MEASURES (REVISED)**
(II) The Impact on the Key Financial Indicators of the Company

Based on the aforesaid assumptions, the comparison of the impact of diluting the current returns as a result of the non-public issuance of A shares on the key financial indicators is as follows:

Item	2019/31 December 2019	2020/31 December 2020	
		Excluding the issuance	Including the issuance
Total ordinary share capital (Shares)	190,680,600	190,680,600	233,680,600
Proceeds of the Issuance (RMB)	—	—	380,000,000
Cash dividend (RMB)	12,739,120.00		
Assumption 1: It is assumed that the annual growth rates of net profit attributable to shareholders of the parent company and net profit attributable to shareholders of the parent company after deducting non-recurring profit or loss in 2020 are 0% (flat)			
Net assets attributable to shareholders of the parent company at the beginning of the period (RMB)	1,184,406,733.12	1,224,947,192.57	1,224,947,192.57
Net assets attributable to shareholders of the parent company at the end of the period (RMB)	1,224,947,192.57	1,284,477,110.86	1,664,477,110.86
Net profit attributable to shareholders of the parent company (RMB)	51,321,171.73	70,000,000.00	70,000,000.00
Net profit attributable to shareholders of the parent company after deducting non-recurring profit or loss (RMB)	7,845,388.19	65,000,000.00	65,000,000.00
Basic earnings per share (RMB per share)	0.27	0.3671	0.3475
Diluted earnings per share (RMB per share)	0.27	0.3671	0.3475
Basic earnings per share after deducting non-recurring profit or loss (RMB per share)	0.04	0.3409	0.3227
Diluted earnings per share after deducting non-recurring profit or loss (RMB per share)	0.04	0.3409	0.3227

APPENDIX II

PROPOSED DILUTION OF CURRENT RETURNS
AND REMEDIAL MEASURES (REVISED)

Item	2019/31 December 2019	2020/31 December 2020	
		Excluding the issuance	Including the issuance
Weighted average ROE	4.24%	5.5712%	5.1796%
Weighted average ROE after deducting non-recurring profit or loss	0.65%	5.1733%	4.8096%
Assumption 2: It is assumed that the annual growth rates of net profit attributable to shareholders of the parent company and net profit attributable to shareholders of the parent company after deducting non-recurring profit or loss in 2020 are 10% (increase)			
Net assets attributable to shareholders of the parent company at the beginning of the period (RMB)	1,184,406,733.12	1,224,947,192.57	1,224,947,192.57
Net assets attributable to shareholders of the parent company at the end of the period (RMB)	1,224,947,192.57	1,291,477,110.86	1,671,477,110.86
Net profit attributable to shareholders of the parent company (RMB)	51,321,171.73	77,000,000.00	77,000,000.00
Net profit attributable to shareholders of the parent company after deducting non-recurring profit or loss (RMB)	7,845,388.19	71,500,000.00	71,500,000.00
Basic earnings per share (RMB per share)	0.27	0.4038	0.3823
Diluted earnings per share (RMB per share)	0.27	0.4038	0.3823
Basic earnings per share after deducting non-recurring profit or loss (RMB per share)	0.04	0.3750	0.3550
Diluted earnings per share after deducting non-recurring profit or loss (RMB per share)	0.04	0.3750	0.3550
Weighted average ROE	4.24%	6.1113%	5.6828%
Weighted average ROE after deducting non-recurring profit or loss	0.65%	5.6748%	5.2769%

APPENDIX II

PROPOSED DILUTION OF CURRENT RETURNS
AND REMEDIAL MEASURES (REVISED)

Item	2019/31 December 2019	2020/31 December 2020	
		Excluding the issuance	Including the issuance
Assumption 3: It is assumed that the annual growth rates of net profit attributable to shareholders of the parent company and net profit attributable to shareholders of the parent company after deducting non-recurring profit or loss in 2020 are -10% (decrease)			
Net assets attributable to shareholders of the parent company at the beginning of the period (RMB)	1,184,406,733.12	1,224,947,192.57	1,224,947,192.57
Net assets attributable to shareholders of the parent company at the end of the period (RMB)	1,224,947,192.57	1,277,477,110.86	1,657,477,110.86
Net profit attributable to shareholders of the parent company (RMB)	51,321,171.73	63,000,000.00	63,000,000.00
Net profit attributable to shareholders of the parent company after deducting non-recurring profit or loss (RMB)	7,845,388.19	58,500,000.00	58,500,000.00
Basic earnings per share (RMB per share)	0.27	0.3304	0.3128
Diluted earnings per share (RMB per share)	0.27	0.3304	0.3128
Basic earnings per share after deducting non-recurring profit or loss (RMB per share)	0.04	0.3068	0.2904
Diluted earnings per share after deducting non-recurring gains and losses (RMB per share)	0.04	0.3068	0.2904
Weighted average ROE	4.24%	5.0281%	4.6737%
Weighted average ROE after deducting non-recurring profit or loss	0.65%	4.6690%	4.3399%

Note: Basic earnings per share, diluted earnings per share and average return on equity are calculated according to the "Compilation Rules for Information Disclosures by Companies that Offer Securities to the Public (No. 9): Calculation and Disclosure of Rate of Return on Equity and Earnings per Share" (2010 Revision) (《公開發行證券的公司信息披露編報規則第9號—淨資產收益率和每股收益的計算及披露》(2010年修訂)) .

II. RISK WARNING ON THE DILUTION OF CURRENT RETURNS AS A RESULT OF THE NON-PUBLIC ISSUANCE

Upon the completion of the non-public issuance, to a certain degree, the total share capital and net assets of the Company will increase, the comprehensive capital strength of the Company will be enhanced and the risk resistance capability of the Company will be strengthened. Since it will take a certain period of time to implement and generate benefits from the projects funded with the proceeds raised from this issuance, the Company's net profit may not grow at the same pace as its equity and net assets in the short run, resulting in a drop in the indicators of the Company, such as earnings per share and weighted average return on equity, compared with the previous years. There are still risks relating to the dilution and decrease of the Company's earnings per share and return on equity after the completion of the non-public issuance. Therefore, investors are advised to pay attention to the relevant information and beware of investment risks.

III. THE NECESSITY AND REASONABLENESS OF THE NON-PUBLIC ISSUANCE

The total amount of proceeds from the non-public issuance will not exceed RMB380 million (inclusive), which will be used for the following projects:

Unit: RMB in Ten Thousands

No.	Name of project	Total investment amount	Financed by the proceeds
1	Recycling industrial park project of a dairy farm for 10,000 dairy cows in Jinchuan District, owned by Gansu Ruijia Farming Co., Ltd.	49,834.57	34,000.00
2	Repayment of bank loans	4,000.00	4,000.00
Total		53,834.57	38,000.00

The investment projects funded with the proceeds from the non-public issuance are conducted mainly under the future strategic plans of the Company, and are mainly dedicated to the Holstein cattle farming so as to provide the Company's three dairy processing bases with raw milk, which is highly correlated to the Company's main business. The investment projects funded with the proceeds have been prudently discussed by the Company. The implementation of these projects will further improve the milk supply, strengthen the Company's product quality control, and provide a strong guarantee for raw milk supply to the project of "reconstruction and expansion project with daily processing 600 tons of liquid milk", which will be soon completed in 2020. Meanwhile, to a certain degree, it will reduce the Company's debt and financial expense, effectively improve the Company's profitability, consolidate the existing market position of the Company and enhance the sustainable development capability of the Company.

For details of the necessity and feasibility of the projects funded with proceeds raised from the non-public issuance, please refer to the Feasibility Analysis Report on Use of Proceeds Raised from the Public Issuance of A Share Convertible Bonds of Lanzhou Zhuangyuan Pasture Co., Ltd. released on the website of the Shenzhen Stock Exchange and www.cninfo.com.

IV. THE RELATIONSHIP BETWEEN THE INVESTMENT PROJECTS FUNDED WITH THE PROCEEDS AND THE COMPANY'S EXISTING BUSINESSES

The Company will use the proceeds from the non-public issuance of A Share after deducting relevant issuance expenses to the “recycling industrial park project of a dairy farm for 10,000 dairy cows in Jinchuan District, owned by Gansu Ruijia Farming Co., Ltd.” and the “repayment of bank loans”. In particular, the “recycling industrial park project of a dairy farm for 10,000 dairy cows in Jinchuan District, owned by Gansu Ruijia Farming Co., Ltd.” provides supply guarantee for raw milk supply for the Company's production, thus ensuring that the Company's product quality is effectively controlled at the source. In particular, the “reconstruction and expansion project with daily processing 600 tons of liquid milk” invested and implemented by the Company with its own funds has reached the pre-set service status since the construction starting in 2018, and is expected to be put into use in 2020. By then, the further rising demand for raw milk of the Company will be satisfied. The repayment of bank loans will help downsize the scale of the liabilities of the Company (especially the short-term borrowings) and reduce finance costs. Therefore, with the implementation of the projects of proceeds, the Company will further increase the proportion of supply of its own raw milk, strengthen the product quality control, address the growing demand for raw milk of the Company in the future and improve the Company's profitability and core competitiveness, which are in line with the future development plans of the Company.

After the completion of the issuance, the Company's business scope will remain unchanged. Except for the above-mentioned projects funded with the proceeds, the Company has no other businesses and asset integration plans.

V. THE COMPANY'S RESERVES IN PERSONNEL, TECHNOLOGY AND MARKET FOR THE INVESTMENT PROJECTS FUNDED WITH THE PROCEEDS**(1) Personnel and Technology Reserve**

In order to strengthen the Company's product quality control and ensure a clean, sanitary and fresh raw milk supply, the Company has successively invested in the construction of 9 standardized breeding pastures in Gansu, Qinghai, Ningxia and Shaanxi since 2009. Since the breeding pastures were put into operation, the Company has adopted a management mode of “company + base + farmer”. The Company adopts a self-breeding model and a joint breeding model for different pastures according to their regional characteristics without occurrence of any material raw milk-related accidents so far, which has not only guaranteed the supply of raw milk produced by the Company, but also consolidated the local farming resources, increase the dairy farmers' income and facilitated the local economic development while fully signifying the meaning of poverty relief by the leading enterprise in the agricultural industry. The Company's rich practical experience and professional team for the construction and management of large-scale and modern breeding farms have provide the staffing needed for the smooth implementation of investment projects funded with the proceeds.

As most of the Company's senior management, production, R&D, QC and other executives have long been employed by the Company, they are very familiar with the Company's existing production processes, product mix, industry characteristics, regional consumption habits, etc., and have a forward-looking perspective towards market and technology development trends. They are capable to lead the Company in maintaining a steady and long-term healthy and stable growth. At the same time, the Company will strengthen the training for all of its employees, so that the employees love their jobs, comply with systems, understand professional knowledge related to the work, maintain high position quality and professional ethics, find problems in time, properly handle and solve problems according to the rules and regulations, and ensure that the projects are implemented smoothly.

(2) Market Reserve

At present, the Company's products have a high market share in Gansu and Qinghai with certain brand awareness in Shaanxi and obvious brand advantages and high market position in regional markets. According to the different consumption habits, transportation distance, shelf life of different product, etc., the Company adopts different sales models such as direct sales, distribution and agency sales, covering major prefecture-level cities, states and subordinate counties and towns in Gansu and Qinghai. In order to meet the growing demand for low-temperature dairy products, the Company has established community milk kiosks or self-service milk machines in large residential areas, high-end office buildings, schools, airports, hospitals, and high-speed rail stations in Lanzhou, Xining and other cities, so as to better sell the Company's products and realise income growth.

The Company consistently adheres to the development strategy of "Keeping the Foothold in Northeast China and Expanding into the Rest of China". In the next few years, the Company will further strengthen its leading position and brand recognition in Gansu, Qinghai and Shaanxi markets and further cement the existing market share and regional advantages. While maintaining its solid local market, the Company has also formulated a detailed business expansion plan, has been well staffed with a professional sales team and has allocated resources for necessary sales expenses, so as to gradually market its products to the surrounding provinces, cities and other regions.

In summary, the investment projects funded with the proceeds from the non-public issuance of the Company has a good foundation in terms of personnel, technology and market. With the promotion of investment projects of proceeds and the gradual expansion of business scale, the Company will further improve its reserves in terms of personnel, technology, market, etc., so as to meet the needs of continuous development and upgrade of the business.

VI. Measures Adopted by the Company against Dilution of the Current Returns

In order to protect the interests of our investors, reduce the risk of diluting the current returns and increase the returns to our shareholders, the Company intends to take various measures to recover the current returns. In addition, the Company solemnly reminded investors that the following measures formulated by the Company do not represent an assurance made by the Company for the future profits.

(1) Strengthen the Management of Proceeds to Prevent the Risks in the Application of Proceeds

In accordance with the requirements of the Company Law of the People's Republic of China (《中華人民共和國公司法》), the Securities Law of the People's Republic of China (《中華人民共和國證券法》), the Administrative Measures for the Issuance of Securities by Listed Companies (《上市公司證券發行管理辦法》), the Guidelines for the Supervision and Control of Listed Companies No. 2 — Regulation Requirements for the Management and Use of Proceeds of Listed Companies (《上市公司監管指引第2號—上市公司募集資金管理和使用的監管要求》), the Regulations on the Standardization Operation Guidelines for Listed Companies in SME Board of the Shenzhen Stock Exchange and other laws and regulations (《深圳證券交易所中小企業板上市公司規範運作指引》), and other laws and normative documents and the Articles of Association, the Company has formulated the “Administrative Measures for Special Storage and Use of Proceeds of Lanzhou Zhuangyuan Pasture Co., Ltd.”, and explicitly provided for the depositing, saving, usage, change of use, management and supervision of the proceeds.

In order to ensure the Company's standardised and effective use of the proceeds, after the proceeds raised from the non-public issuance are readily available, the Company will, in strict accordance with the above provisions, manage the proceeds, regularly check the use of proceeds, strengthen supervision over the investment projects funded with the proceeds, ensure that the proceeds are used in a reasonable and standardized manner according to the agreed use, and prevent the potential risks in the use of the proceeds.

(2) Accelerate the Progress of the Investment Projects Funded with, and Improve the Use Efficiency of, the Proceeds

After the proceeds raised from the issuance are readily available, the Company will, in strictly compliance with the use of the proceeds approved by the Board and the general meeting, allocate all internal resources, accelerate the construction of investment projects funded with the proceeds, and improve the use efficiency of the proceeds, with an aim to reaching the designed production capacity of investment projects funded with the proceeds as early as possible and achieving the expected benefits, whereby enhancing the Company's profitability and ensuring its long-term competitiveness and continuous profitability.

Before the proceeds raised from the issuance are readily available, in order to realise the profitability of investment projects of proceeds as soon as possible, the Company will proactively borrow funds through multiple channels and allocate resources, conduct the preliminary work of the projects funded with the proceeds, and invest its own funds in such projects which will be replaced by the proceeds once readily available, so as to ensure the timely implementation of investment projects funded with the proceeds, enhance the future returns to shareholders, and reduce the risk of diluting the current returns caused by the issuance.

(3) Strictly Implement the Cash Dividend Policy and Strengthen the Investor Return Mechanism

In accordance with the Notice on Further Implementing Rules Regarding Distribution by Listed Companies (Zheng Jian Fa [2012] No.37), the Guidelines for the Supervision and Control of Listed Companies No. 3 - Cash Dividend Distribution by Listed Companies (Zheng Jian Hui Gong Gao [2013] No.43) and relevant regulations as well as the spirit of the Guidelines of China Securities Regulatory Commission for the Articles of Association of Listed Companies, the Company has formulated relevant provisions on profit distribution in the Articles of Association, which has expressly clarified the specific condition, proportion and form of distribution for the Company's profit distribution (especially cash dividend) and share dividend distribution conditions, improved the decision-making procedures and mechanisms of the Company's profit distribution and the adjustment principles of profit distribution policy, and strengthened the interest protection mechanism for small and medium investors. Meanwhile, in order to elaborate the decision-making procedures and the terms of the profit distribution, and enhance the transparency and operation of cash dividend, the Company has formulated the Shareholders' Return Plan for the Forthcoming Three Years (2020-2022), and established a sound and effective shareholders' return mechanism.

After the completion of the issuance, when the conditions of profit distribution are satisfied, the Company will strictly implement the cash dividend policy and use its maximum efforts to proactively implement the profit distribution to shareholders in an effort to increase the return to shareholders.

(4) Improve the Company's Operational Efficiency and Reduce Operating Costs

The Company will further strengthen quality control, continuously optimise business processes and internal control, and standardise management and control on various business segments. In the daily operation and management, the Company will strengthen the management on procurement, production, sales, research and development and other segments, further promote cost control, improve the asset operation efficiency, and reduce the operation costs, so as to enhance the Company's profitability.

(5) Optimise Corporate Governance and Provide Institutional Guarantee for the Company's Development

The Company will strictly abide by the requirements of laws, regulations and normative documents such as the Company Law, the Securities Law, and the Guidelines for Governance of Listed Companies, continuously improve the corporate governance structure, and ensure that shareholders can fully exercise their rights; ensure that the Board of Directors can comply with the laws, regulations and the Company's Articles of Association when exercising their rights so as to make scientific, prompt and prudent decisions; ensure that the independent Directors can perform their duties conscientiously, safeguard the Company's overall interests, especially the legitimate rights and interests of small and medium shareholders; ensure that the Supervisory Committee can independently and effectively exercise supervision and inspection rights on the directors, managers, other senior management and financial affairs of the Company, so as to provide an institutional guarantee for the Company's development.

VII. UNDERTAKING BY RELEVANT STAKEHOLDERS

(1) The Directors and senior management of the Company make the following undertaking to ensure that the measures taken by the Company to recover the diluted current returns can be fully implemented according to relevant requirements of the CSRC:

1. I will not transfer any benefits to other entities or individuals with no payment or under unfair terms and shall not damage the Company's interests in any other ways;
2. I will fully support and abide by the Company's rules on constraining the duty-related consumption behavior of Directors and senior executives, and any duty-related consumption behavior will occur within the scope necessary to fulfill my duties to the Company. I strictly accept the supervision and management of the Company, and avoid waste or advance consumption;
3. I will strictly follow the requirements of relevant laws and regulations, the rules and principles of the regulatory authorities such as the CSRC and the stock exchange, as well as the Company's rules and regulations on the conduct code of Directors and senior managers, and will not utilize any assets of the Company for any investments or consumption activities unrelated to my performance of duties;
4. The remuneration system established by the Board or the Remuneration and Appraisal Committee is in line with the implementation of the return recovery measures;
5. If the Company is to adopt an equity incentive plan in the future, the vesting conditions of the stock incentive plan set by the Company is in line with the implementation of the return recovery measures;
6. To undertake to effectively implement the return recovery measures set by the Company and all undertaking relating to the return recovery measures. If I breach such undertaking and cause losses to the Company or the investors, I am willing to bear the responsibility for compensation to the Company or investors in accordance with laws.

In case of breach of the above undertaking or refusal to perform the above undertakings, I agree to impose relevant penalties or take relevant management measures on me in accordance with relevant regulations and rules formulated or issued by securities regulatory authorities such as the CSRC and the Shenzhen Stock Exchange.

7. From the date of making these undertaking until the completion of the Non-public Issuance of A shares, if the CSRC imposes other new regulatory requirements in relation to the return recovery measures and the undertaking which cause the above undertaking unable to meet the requirements of the CSRC, I undertake to make supplementary undertaking at that time according to the latest requirements of the CSRC.

- (2) In accordance with relevant provisions of the CSRC, to ensure that the recovery measures against the dilution of the current returns can be fully performed, the controlling shareholders and the *de facto* controllers of the Company also make the following undertaking:
1. To undertake not to intervene the operation and management activities of the Company or unlawfully occupy the Company's interests.;
 2. To undertake to effectively implement the return recovery measures set by the Company and all undertaking relating to the return recovery measures. If I breach such undertaking and cause losses to the Company or the investors, I am willing to bear the responsibility for compensation to the Company or the investors in accordance with laws.

In case of breach of the above undertaking or refusal to perform the above undertaking, I agree to impose relevant penalties or take relevant management measures on me in accordance with relevant regulations and rules formulated or issued by securities regulatory authorities such as the CSRC and the Shenzhen Stock Exchange.

3. From the date of making these undertaking until the completion of the non-public issuance of A shares, if the CSRC imposes other new regulatory requirements in relation to the return recovery measures and the undertaking which cause the above undertaking unable to meet such requirements of the CSRC, I undertake to make supplementary undertaking at that time according to the latest requirements of the CSRC.

VIII. THE RECOVERY MEASURES FOR DILUTED CURRENT RETURNS AND THE PROCEDURES OF CONSIDERING THE UNDERTAKING

The Board has considered and approved the recovery measures for the diluted current returns and other relevant undertaking at the 36 meeting of the third session of the Board of Directors, and submitted it to the general meeting of the Company (including A and H Shareholders' Class Meetings) for consideration.

The Board of Directors
Lanzhou Zhuangyuan Pasture Co., Ltd.*
3 April 2020

* For identification purposes only.

Stock Code: 002910 Stock Abbreviation: Zhuangyuan Pasture Announcement No.: 2020-027

Lanzhou Zhuangyuan Pasture Co., Ltd.*
Announcement on the Undertaking Given by the Controlling Shareholders, the *De Facto* Controller, the Directors and Senior Management in Relation to the Remedial Measures Adopted for the Dilution of Immediate Returns by the Non-public Issuance of A Shares Would be Implemented Appropriately

The Company and all members of the Board warrant that the contents of the information disclosure are true, accurate and complete, and there are no false records, misleading statements or major omissions.

Pursuant to the requirements of the Several Opinions of the State Council on Further Promoting the Healthy Development of Capital Market (《國務院關於進一步促進資本市場健康發展的若干意見》) (Guo Fa [2014] No. 17), the Opinions of the General Office of the State Council on Further Strengthening the Protection of Small and Medium Investors' Legitimate Interests in Capital Market (《國務院辦公廳關於進一步加強資本市場中小投資者合法權益保護工作的意見》) (Guo Ban Fa [2013] No. 110) and the Guiding Opinions on Matters Relating to the Dilution of Immediate Returns As a Result of Initial Public Offering, Refinancing and Major Asset Restructuring (《關於首發及再融資、重大資產重組攤薄即期回報有關事項的指導意見》) (CSRC Announcement [2015] No. 31), in order to protect the interests of small and medium investors, Lanzhou Zhuangyuan Pasture Co., Ltd.* (蘭州莊園牧場股份有限公司) (the "Company" or "Zhuangyuan Pasture") has reassessed the impact of diluting the current returns by the revised plan of Non-public Issuance and proposed specific return recovery measures, and each of the controlling shareholders, de facto controllers, Directors and senior management members of the Company has made an undertaking in respect of the revised dilution of current returns and related recovery measures.

I. Commitments Made by the Controlling Shareholders and the *De Facto* Controller of the Company

Mr. Ma Hongfu, as one of the controlling shareholders and the *de facto* controller of the Company, makes the following commitments to safeguard the legitimate rights and interests of the Company and all shareholders and guarantee the measures of the Company to remedy diluted immediate returns can be fully performed:

1. I commit to neither act beyond my authority to intervene the operation management activities of the Company nor infringe the benefit of the Company;

2. Effectively fulfill the return remedial measures set by the Company and all commitments relating to the return remedial measures. If I breach such commitments and cause losses to the Company or the investors, I am willing to bear the responsibility for compensation to the Company or investors in accordance with laws.

In case of breach of the above commitments or refusal to perform the above commitments, I agree to impose relevant penalties or take relevant management measures on me in accordance with relevant regulations and rules formulated or issued by securities regulatory authorities such as CSRC and the Shenzhen Stock Exchange.

3. From the date of making these commitments until the completion of the Non-public Issuance of A Share, if CSRC imposes other new regulatory requirements in relation to the return remedial measures as well as the commitments which cause the above commitments unable to meet such requirements of CSRC, I commit to conduct supplementary commitments at that time according to the latest requirements of CSRC.

II. Commitments Made by All Directors and Senior Management of the Company

The Directors and senior management of the Company make the following commitments to safeguard the legitimate rights and interests of the Company and all shareholders, and guarantee the measures of the Company to remedy diluted immediate returns can be fully performed:

1. I commit to neither convey benefits to other units or individuals for free or with unfair conditions nor adopt other manners to damage the benefit of the Company;
2. I fully support and cooperate with the Company's rules on duty consumption behavior of Directors and senior executives, and any duty consumption behavior will occur within the scope necessary to fulfill my duties to the Company only. I strictly accept the supervision and management of the Company, and avoid waste or advance consumption;
3. I will strictly follow the requirements on conduct code of Directors and senior managers of relevant laws and regulations, the rules and principles of the regulatory authorities such as CSRC and the stock exchanges, as well as the Company's rules and regulations, and commit not to utilize any assets of the Company for any investments or consumption activities unrelated to my performance of duties;
4. The remuneration system established by the Board of Directors or the Remuneration and Appraisal Committee is linked with the implementation of the return remedial measures;
5. If the Company is to adopt a equity incentive plan in the future, the vesting conditions of the stock incentive plan set by the Company is linked with the implementation of the return remedial measures;
6. Effectively fulfill the return remedial measures set by the Company and all commitments relating to the return remedial measures. If I breach such commitments and cause losses to the Company or the investors, I am willing to bear the responsibility for compensation to the Company or investors in accordance with laws.

APPENDIX III ANNOUNCEMENT ON THE UNDERTAKINGS GIVEN BY THE CONTROLLING SHAREHOLDERS, THE *DE FACTO* CONTROLLER, THE DIRECTORS AND SENIOR MANAGEMENT IN RELATION TO THE REMEDIAL MEASURES ADOPTED FOR THE DILUTION OF CURRENT RETURNS BY THE NON-PUBLIC ISSUANCE OF A SHARES BEING IMPLEMENTED APPROPRIATELY

In case of breach of the above commitments or refusal to perform the above commitments, I agree to impose relevant penalties or take relevant management measures on me in accordance with relevant regulations and rules formulated or issued by securities regulatory authorities such as CSRC and the Shenzhen Stock Exchange.

7. From the date of making these commitments until the completion of the Non-public Issuance of A Shares, if CSRC imposes other new regulatory requirements in relation to the return remedial measures as well as the commitments which cause the above commitments unable to meet such requirements of CSRC, I commit to conduct supplementary commitments at that time according to the latest requirements of CSRC.

The Board of Lanzhou Zhuangyuan Pasture Co., Ltd. *

3 April 2020

* *For identification purposes only*

NOTICE OF THE 2020 SECOND EXTRAORDINARY GENERAL MEETING



Lanzhou Zhuangyuan Pasture Co., Ltd.*

蘭州莊園牧場股份有限公司

(A joint stock limited liability company incorporated in the People's Republic of China)

(Stock Code: 1533)

NOTICE OF THE 2020 SECOND EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the EGM of Lanzhou Zhuangyuan Pasture Co., Ltd.* (the “**Company**”) will be held at 2:30 p.m. on Monday, 25 May 2020 at 26th Floor, Block B, Shanghui Building of Gansu Province, No. 601, Yanyuan Road, Chengguan District, Lanzhou City, Gansu Province, the PRC for the purposes of considering, approving and authorizing the following matters:

Capitalised terms used in this notice shall have the same meanings as those defined in the circular of the Company dated 6 April 2020 (the “**Circular**”) unless otherwise specified. Please refer to the Circular for details of the proposed resolutions.

SPECIAL RESOLUTIONS

- (1) To consider and approve the resolution on the fulfilment of conditions for the Non-public Issuance of A Shares by the Company;
- (2) To consider and approve each and every item of the resolution on the adjustments to the Non-public Issuance of A Shares of the Company:
 - (a) class and nominal value of shares to be issued;
 - (b) issue method and time;
 - (c) issue size;
 - (d) target subscribers and subscription method;
 - (e) issue price and pricing principles;
 - (f) lock-up period;
 - (g) listing venue;

* For identification purpose only

NOTICE OF THE 2020 SECOND EXTRAORDINARY GENERAL MEETING

- (h) amount and the use of proceeds
 - (i) arrangement of accumulated undistributed profits prior to the completion of the Issuance; and
 - (j) the validity period;
- (3) To consider and approve the resolution on the Plan for the Non-public Issuance of A Shares (Revision);
 - (4) To consider and approve the resolution on the Feasibility Report on the Use of Proceeds Raised from the Non-public Issuance of A Shares by the Company (Revision);
 - (5) To consider and approve the resolution on the remedial measure of the dilution of immediate return resulting from the Non-public Issuance of A Shares and risk warning (Revision);
 - (6) To consider and approve the resolution on the undertakings given by the Controlling Shareholders, the *de facto* controller, the Directors and senior management in relation to the remedial measures adopted for the dilution of immediate returns by the Non-public issuance of A Shares being implemented appropriately;
 - (7) To consider and approve the resolution for authorization to the Board to deal with relevant matters in relation to the Non-public Issuance with full discretion at the general meeting.

By order of the Board
Lanzhou Zhuangyuan Pasture Co., Ltd.*
Ma Hongfu
Chairman

Lanzhou, the PRC, 6 April 2020

* *For identification purpose only*

NOTICE OF THE 2020 SECOND EXTRAORDINARY GENERAL MEETING

Notes:

1. In order to determine the H shareholders who are entitled to attend the EGM, the register of members for H shares of the Company will be closed from Saturday, 25 April 2020 to Monday, 25 May 2020 (both days inclusive), during which period no transfer of H shares can be registered. In order to be qualified to attend and vote at the EGM, all transfer documents accompanied by the relevant share certificate(s) must be lodged with the Company's H share registrar and transfer office in Hong Kong, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for registration not later than 4:00 p.m. on Friday, 24 April 2020. H shareholders whose names appear on the register of members of the Company on Friday, 24 April 2020 are entitled to attend and vote at the EGM.
2. Shareholders who are entitled to attend and vote at the EGM may appoint one or more proxies to attend and, in the event of a poll, vote on their behalf. A proxy need not be a shareholder of the Company.
3. In order to be valid, the proxy form must be deposited by hand or by post, to the Company's H share registrar and transfer office in Hong Kong, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong by 2:30 p.m. on Sunday, 24 May 2020 or not less than 24 hours before the time appointed for the holding of the EGM or any adjournment thereof or not less than 24 hours before the time appointed for taking the poll. If the proxy form is signed by a person under a power of attorney or other authority, a notarially certified copy of that power of attorney or authority shall be deposited at the same time as mentioned in the proxy form. Completion and return of the proxy form will not preclude Shareholders from attending and voting in person at the EGM or any adjournment thereof should they so wish.
4. Shareholders or their proxies shall produce their identity documents when attending the EGM.
5. In accordance with the requirements of Rule 13.39(4) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, any vote of shareholders at a general meeting shall be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Therefore, according to Article 86 of the articles of association of the Company, a poll will be demanded by the chairman of the EGM so that all resolutions set out in this notice of EGM will be decided on a poll. On a poll taken at the meeting, shareholders (including proxies) entitled to two or more votes are not required to cast all their vote.
6. The EGM (or any adjournment thereof) is expected to last less than one day. Shareholders or their proxies who attend the EGM (or any adjournment thereof) shall bear their own travelling and accommodation expenses.

NOTICE OF THE 2020 SECOND EXTRAORDINARY GENERAL MEETING

7. The Company's principal place of business in the PRC is situated at:

26th Floor, Block B
Shanghai Building of Gansu Province
No. 601, Yanyuan Road
Chengguan District
Lanzhou City, Gansu Province
PRC

Tel No.: (86) 931 875 3001
Fax No.: (86) 931 875 3001

The address of the Company's H shares registrar and transfer office in Hong Kong, Union Registrars Limited is:

Suites 3301-04, 33/F
Two Chinachem Exchange Square
338 King's Road, North Point
Hong Kong

Tel No.: (852) 2849 3399
Fax No.: (852) 2849 3319

As at the date of this notice, the executive directors of the Company are Mr. Ma Hongfu, Mr. Wang Guofu and Ms. Zhang Qianyu; the non-executive directors of the Company are Mr. Yap Kean Chong and Mr. Song Xiaopeng; and the independent non-executive directors of the Company are Ms. Liu Zhijun, Mr. Zhao Xinmin and Mr. Wong Cho Hang Stanley.

NOTICE OF A SHAREHOLDERS' CLASS MEETING



Lanzhou Zhuangyuan Pasture Co., Ltd.*

蘭州莊園牧場股份有限公司

(A joint stock limited liability company incorporated in the People's Republic of China)

(Stock Code: 1533)

NOTICE OF A SHAREHOLDERS' CLASS MEETING

NOTICE IS HEREBY GIVEN that the A Shareholders' Class Meeting of Lanzhou Zhuangyuan Pasture Co., Ltd.* (the "**Company**") will be held at 2:45 p.m. on Monday, 25 May 2020 or immediately after the conclusion of the 2020 second extraordinary general meeting of the Company or any adjournment thereof (whichever is the later) at 26th Floor, Block B, Shanghui Building of Gansu Province, No. 601, Yanyuan Road, Chengguan District, Lanzhou City, Gansu Province, the PRC, for the purposes of considering, approving and authorizing the following matter:

SPECIAL RESOLUTIONS

- (1) To consider and approve the resolution on the fulfilment of conditions for the Non-public Issuance of A Shares by the Company;
- (2) To consider and approve each and every item of the resolution on the adjustments to the Non-public Issuance of A Shares of the Company:
 - (a) class and nominal value of shares to be issued;
 - (b) issue method and time;
 - (c) issue size;
 - (d) target subscribers and subscription method;
 - (e) issue price and pricing principles;

* *For identification purpose only*

NOTICE OF A SHAREHOLDERS' CLASS MEETING

- (f) lock-up period;
 - (g) listing venue;
 - (h) amount and the use of proceeds;
 - (i) arrangement of accumulated undistributed profits prior to the completion of the Issuance; and
 - (j) the validity period;
- (3) To consider and approve the resolution on the Plan for the Non-public Issuance of A Shares (Revision);
 - (4) To consider and approve the resolution on the Feasibility Report on the Use of Proceeds Raised from the Non-public Issuance of A Shares by the Company (Revision);
 - (5) To consider and approve the resolution on the remedial measure of the dilution of immediate return resulting from the Non-public Issuance of A Shares and risk warning (Revision);
 - (6) To consider and approve the resolution on the undertakings given by the Controlling Shareholders, the *de facto* controller, the Directors and senior management in relation to the remedial measures adopted for the dilution of immediate returns by the Non-public issuance of A Shares being implemented appropriately; and
 - (7) To consider and approve the resolution for authorization to the Board to deal with relevant matters in relation to the Non-public Issuance with full discretion at the general meeting.

By Order of the Board
Lanzhou Zhuangyuan Pasture Co., Ltd.*
蘭州莊園牧場股份有限公司
Ma Hongfu
Chairman

Lanzhou, the PRC, 6 April 2020

* For identification purpose only

NOTICE OF A SHAREHOLDERS' CLASS MEETING

Notes:

1. A Shareholders whose names appear on the A share register of members of the Company on Monday, 25 May 2020 will be entitled to attend and vote at the A Shareholders' Class Meeting.
2. Shareholders may, by completing the form of proxy of the Company, appoint one or more proxies to attend and vote at the A Shareholders' Class Meeting (or any adjournment thereof) on his behalf. A proxy need not be a shareholder of the Company.
3. Shareholders must use the form of proxy of the Company for appointing a proxy and the appointment must be in writing. The form of proxy must be signed by the relevant shareholder of the Company or by a person duly authorized by the relevant shareholder of the Company in writing. If the form of proxy is signed by the person authorized by the relevant shareholder of the Company as aforesaid, the relevant power of attorney and other relevant documents of authorization (if any) must be notarized. If a corporate shareholder of the Company appoints a person other than its legal representative to attend the A Shareholders' Class Meeting (or any adjournment thereof) on its behalf, the relevant form of proxy must be affixed with the company seal of the corporate shareholder of the Company or duly signed by its director or any other person duly authorized by that corporate shareholder of the Company as required by the Articles of Association of the Company.
4. To be valid, the form of proxy and the relevant notarized power of attorney (if any) and other relevant documents of authorization (if any) as mentioned in note 4 above must be delivered to the Company's Department of Securities Affairs (address: 26th Floor, Block B, Shanghui Building of Gansu Province, No. 601, Yanyuan Road, Chengguan District, Lanzhou City, Gansu Province, the PRC) (contact person: Pan Lai, Tel: +86 931 875 3001, Fax: +86 931 875 3001) not less than 24 hours before the time appointed for the A Shareholders' Class Meeting (or any adjournment thereof).
5. A shareholder of the Company or his proxy should produce proof of identity when attending the A Shareholders' Class Meeting (or any adjournment thereof). If a corporate shareholder's legal representative or any other person duly authorized by such corporate shareholder attends the A Shareholders' Class Meeting (or any adjournment thereof), such legal representative or other person shall produce his proof of identity, and proof of designation as legal representative or the valid authorization document (as the case may be).
6. The A Shareholders' Class Meeting (or any adjournment thereof) is expected to last less than one day. Shareholders or their proxies who attend the A Shareholders' Class Meeting (or any adjournment thereof) shall bear their own travelling and accommodation expenses.
7. The Company's principal place of business in the PRC is situated at:

26th Floor, Block B
Shanghui Building of Gansu Province
No. 601, Yanyuan Road
Chengguan District
Lanzhou City, Gansu Province
PRC

Tel No.: (86) 931 875 3001

Fax No.: (86) 931 875 3001

As at the date of this notice, the executive directors of the Company are Mr. Ma Hongfu, Mr. Wang Guofu and Ms. Zhang Qianyu; the non-executive directors of the Company are Mr. Yap Kean Chong and Mr. Song Xiaopeng; and the independent non-executive directors of the Company are Ms. Liu Zhijun, Mr. Zhao Xinmin and Mr. Wong Cho Hang Stanley.

NOTICE OF H SHAREHOLDERS' CLASS MEETING



Lanzhou Zhuangyuan Pasture Co., Ltd.*

蘭州莊園牧場股份有限公司

(A joint stock limited liability company incorporated in the People's Republic of China)

(Stock Code: 1533)

NOTICE OF H SHAREHOLDERS' CLASS MEETING

NOTICE IS HEREBY GIVEN that the H Shareholders' Class Meeting of Lanzhou Zhuangyuan Pasture Co., Ltd.* (the "**Company**") will be held at 3:00 p.m. on Monday, 25 May 2020 or immediately after the conclusion of the A Shareholders' Class Meeting or any adjournment thereof (whichever is the later) at 26th Floor, Block B, Shanghui Building of Gansu Province, No. 601, Yanyuan Road, Chengguan District, Lanzhou City, Gansu Province, the PRC, for the purposes of considering, approving and authorizing the following matters:

SPECIAL RESOLUTIONS

- (1) To consider and approve the resolution on the fulfilment of conditions for the Non-public Issuance of A Shares by the Company;
- (2) To consider and approve each and every item of the resolution on the adjustments to the Non-public Issuance of A Shares of the Company:
 - (a) class and nominal value of shares to be issued;
 - (b) issue method and time;
 - (c) issue size;
 - (d) target subscribers and subscription method;
 - (e) issue price and pricing principles;

* *For identification purpose only*

NOTICE OF H SHAREHOLDERS' CLASS MEETING

- (f) lock-up period;
 - (g) listing venue;
 - (h) amount and the use of proceeds;
 - (i) arrangement of accumulated undistributed profits prior to the completion of the Issuance; and
 - (j) the validity period;
- (3) To consider and approve the resolution on the Plan for the Non-public Issuance of A Shares (Revision);
 - (4) To consider and approve the resolution on the Feasibility Report on the Use of Proceeds Raised from the Non-public Issuance of A Shares by the Company (Revision);
 - (5) To consider and approve the resolution on the remedial measure of the dilution of immediate return resulting from the Non-public Issuance of A Shares and risk warning (Revision);
 - (6) To consider and approve the resolution on the undertakings given by the Controlling Shareholders, the *de facto* controller, the Directors and senior management in relation to the remedial measures adopted for the dilution of immediate returns by the Non-public issuance of A Shares being implemented appropriately; and
 - (7) To consider and approve the resolution for authorization to the Board to deal with relevant matters in relation to the Non-public Issuance with full discretion at the general meeting.

By Order of the Board
Lanzhou Zhuangyuan Pasture Co., Ltd.*
蘭州莊園牧場股份有限公司
Ma Hongfu
Chairman

Lanzhou, the PRC, 6 April 2020

* For identification purpose only

NOTICE OF H SHAREHOLDERS' CLASS MEETING

Notes:

1. In order to determine the list of Shareholders who will be entitled to attend and vote at the H Shareholders' Class Meeting, the registers of members of the Company will be closed from Saturday, 25 April 2020 to Monday, 25 May 2020, both days inclusive, during which no transfer of Shares will be effected. Holders of H Shares whose names appear on the registers of members of the Company on Friday, 24 April 2020, shall be entitled to attend and vote at the H Shareholders' Class Meeting. In order for the Shareholders to qualify to attend and vote at the H Shareholders' Class Meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's H share registrar and transfer office in Hong Kong, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong no later than 4:00 p.m. on Friday, 24 April 2020 for registration.
2. Shareholders may, by completing the form of proxy of the Company, appoint one or more proxies to attend and vote at the H Shareholders' Class Meeting (or any adjournment thereof) on his behalf. A proxy need not be a shareholder of the Company.
3. Shareholders must use the form of proxy of the Company for appointing a proxy and the appointment must be in writing. The form of proxy must be signed by the relevant shareholder of the Company or by a person duly authorized by the relevant shareholder of the Company in writing. If the form of proxy is signed by the person authorized by the relevant shareholder of the Company as aforesaid, the relevant power of attorney and other relevant documents of authorization (if any) must be notarized. If a corporate shareholder of the Company appoints a person other than its legal representative to attend the H Shareholders' Class Meeting (or any adjournment thereof) on its behalf, the relevant form of proxy must be affixed with the company seal of the corporate shareholder of the Company or duly signed by its director or any other person duly authorized by that corporate shareholder of the Company as required by the Articles of Association of the Company.
4. To be valid, the form of proxy and the relevant notarized power of attorney (if any) and other relevant documents of authorization (if any) as mentioned in note 4 above must be delivered to the Company's H share registrar and transfer office in Hong Kong, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong not less than 24 hours before the time appointed for the H Shareholders' Class Meeting (or any adjournment thereof).
5. A shareholder of the Company or his proxy should produce proof of identity when attending the H Shareholders' Class Meeting (or any adjournment thereof). If a corporate shareholder's legal representative or any other person duly authorized by such corporate shareholder attends the H Shareholders' Class Meeting (or any adjournment thereof), such legal representative or other person shall produce his proof of identity, and proof of designation as legal representative or the valid authorization document (as the case may be).
6. The H Shareholders' Class Meeting (or any adjournment thereof) is expected to last less than one day. Shareholders or their proxies who attend the H Shareholders' Class Meeting (or any adjournment thereof) shall bear their own travelling and accommodation expenses.
7. The address of the Company's H shares registrar and transfer office in Hong Kong, Union Registrars Limited is:

Suites 3301-04, 33/F, Two Chinachem Exchange Square
338 King's Road, North Point, Hong Kong

Tel No.: (852) 2849 3399

Fax No.: (852) 2849 3319

As at the date of this notice, the executive directors of the Company are Mr. Ma Hongfu, Mr. Wang Guofu and Ms. Zhang Qianyu; the non-executive directors of the Company are Mr. Yap Kean Chong and Mr. Song Xiaopeng; and the independent non-executive directors of the Company are Ms. Liu Zhijun, Mr. Zhao Xinmin and Mr. Wong Cho Hang Stanley.