
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to this circular, you should consult your stockbroker, bank manager, solicitor, professional accountant or other professional adviser.

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 proxy forms and reply slips to the purchaser or to the bank, stockbroker, registered dealer in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser.

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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)

(1) PROPOSED ADOPTION OF THE 2019 RESTRICTED A SHARE INCENTIVE SCHEME AND (2) CONNECTED TRANSACTION – PROPOSED GRANT UNDER INCENTIVE SCHEME

**Independent Financial Adviser to the Independent Board Committee and
Independent Shareholders**



Giraffe Capital Limited

A letter from the Board is set out on pages 5 to 42 of this circular. A letter from the Independent Board Committee is set out on pages IBC-1 to IBC-2 of this circular. A letter from the Independent Financial Adviser, containing its advice to the Independent Board Committee and the independent Shareholders, is set out on pages IFA-1 to IFA-30 of this circular.

The second supplemental notices convening the EGM and the Class Meetings to be held at 1:30 p.m., 1:50 p.m. (or immediately after the conclusion or adjournment of the EGM) and 2:10 p.m. (or immediately after the conclusion or adjournment of the A Shares Class Meeting) on Thursday, 23 May 2019 at the conference room of 26th Floor, Block B, Shanghui Building of Gansu Province, No. 601, Yanyuan Road, Chengguan District, Lanzhou City, Gansu Province, the PRC were issued on 3 April 2019.

If you are eligible and intend to attend the EGM or the Class Meetings, please complete and return the reply slips issued on 3 April 2019 in accordance with the instructions printed thereon on or before Friday, 3 May 2019. Shareholders who intend to appoint a proxy to attend the EGM or the Class Meetings shall complete and return the proxy form issued on 3 April 2019 in accordance with the instructions printed thereon not less than 24 hours before the time fixed for holding the EGM or the Class Meetings or any adjournment thereof (as the case may be). Completion and return of the proxy form will not preclude you from attending the EGM or the Class Meetings and voting in person if you so wish.

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DEFINITIONS

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

“A Share(s)”	the listed A shares in the share capital of the Company, with a par value of RMB1.00 each, which are listed on the Shenzhen Stock Exchange;
“A Shares Class Meeting”	the A Shares class meeting in 2019 to be held on Thursday, 23 May 2019 (or any adjournment thereof);
“Announcement”	the announcement of the Company dated 28 September 2018 in relation to, among others, (i) Restricted A Share Incentive Scheme; and (ii) the connected transaction of proposed grant under the Restricted A Share Incentive Scheme;
“Articles of Association”	the articles of association of the Company, as amended from time to time;
“Assessment Management Measures”	the Assessment Management Measures for Implementation of the 2019 Incentive Scheme for Restricted Shares;
“Associate(s)”	has the meaning ascribed to it under the Listing Rules that apply to the Company;
“Board”	the board of Directors of the Company;
“Class Meetings”	A Shares Class Meeting and H Shares Class Meeting;
“close associate(s)”	has the meaning ascribed to it under the Listing Rules that apply to the Company;
“Company”	Lanzhou Zhuangyuan Pasture Co., Ltd.* (蘭州莊園牧場股份有限公司), a joint stock limited company incorporated in the PRC, whose H Shares and A Shares are listed on the Stock Exchange and on the Shenzhen Stock Exchange, respectively;
“Company Law”	the Company Law of the People’s Republic of China;
“connected person(s)”	has the meaning ascribed to it under the Listing Rules that apply to the Company;
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules that apply to the Company;

DEFINITIONS

“CSRC”	China Securities Regulatory Commission;
“Director(s)”	the director(s) of the Company;
“Dongfang Dairy”	Xi’an Dongfang Dairy Company Limited* (西安東方乳業有限公司), a company established under the laws of the PRC with limited liability;
“EGM”	the extraordinary general meeting (or any adjournment thereof) of 2019 to be convened on Thursday, 23 May 2019;
“First Grant”	the proposed grant of 4,192,800 Restricted A Shares to the Participants pursuant to the Incentive Scheme;
“Group”	the Company and its subsidiaries as at the Latest Practicable Date;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“H Shares”	the overseas listed foreign shares in the ordinary share capital of the Company, with a par value of RMB1.00 each, which are listed on the Stock Exchange;
“H Shares Class Meeting”	the H Shares Class Meeting in 2019 to be convened on Thursday, 23 May 2019 (or any adjournment thereof);
“Incentive Scheme” or “Restricted Share Incentive Scheme”	2019 Restricted A Share Incentive Scheme of the Company;
“Independent Board Committee”	the committee formed by all independent non-executive directors, so as to give advice to independent Shareholders in respect of the Incentive Scheme and the proposed grant to connected person(s) under the First Grant;
“Independent Financial Adviser” or “Giraffe Capital”	Giraffe Capital Limited, a licensed corporation to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance, and appointed as the independent financial adviser to the Independent Board Committee and independent Shareholders, which is responsible for giving advice to them in respect of the Incentive Scheme and the proposed grant to connected persons under the First Grant;

DEFINITIONS

“Latest Practicable Date”	15 April 2019, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein;
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“Management Measures”	Management Measures for Incentive Schemes of Listed Company (2018 Revised);
“Meetings”	the EGM and the Class Meetings;
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out under Appendix 10 of the Listing Rules;
“Participant(s)” or “Incentive Participant(s)”	the person(s) to be granted Restricted Share(s) under the Incentive Scheme, including the Directors (if any), senior management, middle management and core technical (business) personnel of the Company, but not including independent non-executive Directors and supervisors of the Company;
“PRC”	the People’s Republic of China, which for the purpose of this circular, excludes Hong Kong, Macau Special Administrative Region of the People’s Republic of China and Taiwan;
“Proposed Grant”	the proposed grant of an amount not exceeding 4,792,800 Restricted A Shares to the Participants pursuant to the Incentive Scheme;
“Reserved Grant”	the 600,000 Restricted A Shares reserved to be granted to the Participants pursuant to the Incentive Scheme;
“Restricted A Shares” or “Restricted Shares”	the A Shares to be granted to the Participants by the Company under the Incentive Scheme;
“RMB”	Renminbi, the lawful currency of 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), as amended, supplemented or otherwise modified from time to time;

DEFINITIONS

“Share(s)”	the share(s) in the ordinary share capital of the Company, with a nominal value of RMB1.00 each, including A Share(s) and H Share(s);
“Shareholder(s)”	holder(s) of shares;
“Shenzhen Stock Exchange”	the Shenzhen Stock Exchange;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Supplemental Announcement”	the announcement of the Company dated 11 March 2019 in relation to, among others, the Incentive Scheme;
“Validity Period”	the period during which the Incentive Scheme remains effective; and
“%”	per cent.

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
Mr. Chen Yuhai
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
the PRC

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

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

Principal place of business in Hong Kong:

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

24 April 2019

To the Shareholders

Dear Sir or Madam,

**(1) PROPOSED ADOPTION OF THE 2019 RESTRICTED A SHARE
INCENTIVE SCHEME
AND
(2) CONNECTED TRANSACTION – PROPOSED GRANT UNDER
INCENTIVE SCHEME**

* For identification purpose only

LETTER FROM THE BOARD

I. INTRODUCTION

Reference is made to the Announcement and the Supplemental Announcement in relation to, among others, (i) Restricted A Share Incentive Scheme; and (ii) the connected transaction of proposed grant under the First Grant pursuant to the Restricted A Share Incentive Scheme, and the second supplemental notices dated 3 April 2019 of EGM and Class Meetings, for the purpose of considering and approving the resolutions in relation to among others, Restricted A Share Incentive Scheme, the Assessment Management Measures, the authorisation to the Board to deal with the related matters, and the connected transaction of proposed grant under the First Grant pursuant to the Incentive Scheme and the transactions contemplated thereunder.

The purpose of this circular is to provide the Shareholders with further information in respect of resolutions regarding the following matters to be proposed at the EGM and the Class Meetings (as the case maybe) to enable the Shareholders to make their informed decisions as to how to vote at the EGM and the H Shares Class Meeting: (i) the Incentive Scheme; (ii) the Assessment Management Measures; (iii) the authorization to the Board to deal with the related matters; and (iv) the grant of Restricted A Shares to executive Directors and other connected person grantees under the First Grant.

II. RESTRICTED A SHARES INCENTIVE SCHEME

Reference is made to the Announcement and the Supplemental Announcement, in relation to, among others, the proposed adoption of Restricted A Shares Incentive Scheme and proposed grant under Restricted A Shares Incentive Scheme to the Board. The Directors confirm that this letter from the Board aims to provide to the Shareholders a brief summary of the Restricted Shares Incentive Scheme. Full text of the Restricted Shares Incentive Scheme is set out in Appendix I to this circular.

1. Purpose of the Incentive Scheme

1. To establish and improve the long-term incentives mechanism of the Company, fully motivate the Directors, senior and middle management and core technical (business) personnel of the Company, effectively combine the interests of the shareholders, the Company and members of core teams and promote the sustainable, stable and rapid development of the Company;
2. To attract and retain excellent management, business and technical talent to meet the huge demands for core technical (business) talent and management talent of the Company and establish the Company's advantages in human resources, thus further promoting the innovation of the Company and injecting new vitality into the sustainable and rapid development of the Company.

LETTER FROM THE BOARD

2. **Basis for determining the Participants and the scope of Participants of the Incentive Scheme**

(1) Basis for determining the Participants

The Participants of the Incentive Scheme are determined in accordance with the Company Law, the Securities Law, the Administrative Measures, the Listing Rules as well as the relevant laws, regulations and regulatory documents and the relevant provisions of the Articles of Association, together with the Company's actual situations.

(2) Scope of Participants

There are a total of 100 Participants for the First Grant under the Incentive Scheme, of which 5 are Directors and senior management, 11 are middle management, and 84 are core technical (business) personnel. All the Participants must hold office in the Company or its wholly-owned subsidiaries and have entered into labor contracts or employment contracts with them when the Company grants the Restricted Shares and during the assessment period of the Incentive Scheme.

Participants for the Reserved Grant shall be determined within 12 months from the date on which the Incentive Scheme is considered and passed at the general meeting. Following the proposals from the Board, issue of clear opinions by the independent Directors and the supervisory committee as well as issue of professional opinions and legal opinions by the legal adviser, the Company shall promptly and accurately disclose the relevant information on such Participants on the designated website pursuant to the relevant requirements. The reserved entitlements shall become invalid where the Participants for the Reserved Grant are not determined after 12 months from the aforesaid date. The determination of the Participants for the Reserved Grant shall be determined by reference to the criteria for the First Grant. With reference to the scope of the Participants of the Incentive Scheme set out below, the Participants for the Reserved Grant may include Directors and other connected persons (including connected persons at subsidiary level) of the Company. As at the Latest Practicable Date, the number and identity of the Participants for the Reserved Grant have not been determined. Upon determination of the Participants for the Reserved Grant, further announcement(s) will be made by the Company regarding the details of those Participants as and when appropriate and the Company will comply with the relevant requirements under the Listing Rules.

The Participants of the Incentive Scheme are the Directors, senior and middle management and core technical (business) personnel of the Company who will have a direct impact on the operating results and development of the Company in the future and who, in the opinion of the Board, need to be incentivised. They are the main forces for the implementation of the Company's strategies and operation. The grant of the Restricted Shares to such personnel not only fully takes into account the representativeness and demonstration effect of such Participants, but is also conducive to establishing a benefit sharing and constraint mechanism between the Shareholders and the abovementioned personnel. This will enhance the senses of responsibility and mission of the employees to achieve the sustainable, stable and healthy development of the Company, and effectively improve their cohesiveness and creativity, which will be beneficial to realize the development strategies and operation plans of the Company.

LETTER FROM THE BOARD

3. Class, source and number of Shares under the Incentive Scheme

(1) Class of underlying Shares

The Incentive Scheme uses Restricted Shares as incentive tools and the underlying Shares are the Restricted Shares of the Company.

(2) Source of underlying Shares

The source of the subject Shares under the Incentive Scheme shall be ordinary A Shares issued to the Participants by the Company.

(3) Number of underlying Shares

The total number of the Restricted Shares that may be granted under the Incentive Scheme shall be 4,792,800 Shares, representing 2.56% of the Company's total share capital of 187,340,000 Shares as at the Latest Practicable Date, of which 4,192,800 Shares will be granted under the First Grant, representing 2.24% of the Company's total share capital of 187,340,000 Shares as at the Latest Practicable Date and 87.48% of the total equity of this grant; and 600,000 Shares will be reserved, representing 0.32% of the Company's total share capital of 187,340,000 Shares as at the Latest Practicable Date and 12.52% of the total equity of this grant.

After the implementation of the Incentive Scheme, the total equity to be granted under the Incentive Scheme during the Validity Period will not exceed 10% of the Company's total share capital as required by the CSRC, and the total Shares to be granted under the Incentive Scheme to any one of the Participant will not exceed 1% of the Company's total share capital as at the date of the proposal of the Incentive Scheme at the general meeting for consideration.

As at the Latest Practicable Date, the Company does not have any plans to grant further Restricted Shares, in addition to the proposed 4,792,800 Restricted Shares, within the limit of 10% of the Company's total share capital. In the event that the Company decides to grant additional Restricted Shares within the limit of 10% of the Company's total share capital, such grant will comply with the requirements under the Stock Exchange and the Shenzhen Stock Exchange, and further announcement(s) will be made by the Company regarding such grant as and when appropriate.

4. The validity period, the grant date, the locking period and the unlocking period of the Incentive Scheme

(1) Validity Period of the Incentive Scheme

The Validity Period of the Incentive Scheme shall commence on the date of the registration of the Restricted Shares and end on the date of unlocking all the Restricted Shares to be granted to the Participants or the repurchase and cancellation of such Shares, which shall not exceed 54 months.

(2) The date of grant of the Incentive Scheme

For the date of grant of the Incentive Scheme, please see the paragraph headed "Proposed Grant under the Incentive Scheme – Date of grant" below.

LETTER FROM THE BOARD

(3) *Locking of the Incentive Scheme* (限售期)

The locking period for the restricted shares granted under the Incentive Scheme to Incentive Participants (including connected persons of the Company or connected persons at subsidiary level) shall be 18 months, 30 months and 42 months from the date of registration of the grant. The restricted shares granted to the Incentive Participants under the Incentive Scheme shall not be transferred or assigned or used as guarantee or for repayment of debts. The shares and dividends obtained by the Incentive Participants due to the grant of the restricted shares not yet unlocked to them arising from capitalisation issue, distribution of dividends, bonus issue, share sub-division, etc. shall be subject to locking in accordance with the Incentive Scheme.

Upon unlocking, the Company shall proceed with the unlocking for the Incentive Participants who satisfy unlocking conditions, and the restricted shares held by Incentive Participants who do not satisfy the unlocking conditions shall be repurchased and cancelled by the Company.

The unlocking period and unlocking schedule for the restricted shares under the First Grant of the Incentive Scheme are shown in the table below:

Unlocking arrangement	Unlocking time	Unlocking proportion
First unlocking period for the restricted shares under the First Grant	Commencing on the first trading day after expiry of the 18-month period from the record date and ending on the last trading day of the 30-month period from the record date	30%
Second unlocking period for the restricted shares under the First Grant	Commencing on the first trading day after expiry of the 30-month period from the record date and ending on the last trading day of the 42-month period from the record date	30%
Third unlocking period for the restricted shares under the First Grant	Commencing on the first trading day after expiry of the 42-month period from the record date and ending on the last trading day of the 54-month period from the record date	40%

LETTER FROM THE BOARD

For the restricted shares subject to reserved grant under the Incentive Scheme, upon the expiry of 18 months from the grant date, if the unlocking conditions are satisfied, the Incentive Participants can apply for unlocking in two installments at the proportion of 50% and 50% within the unlocking period. Details are as follows:

Unlocking arrangement	Unlocking time	Unlocking proportion
First unlocking period for the restricted shares reserved	Commencing on the first trading day after expiry of the 18-month period from the record date and ending on the last trading day of the 30-month period from the record date	50%
Second unlocking period for the restricted shares reserved	Commencing on the first trading day after expiry of the 30-month period from the record date and ending on the last trading day of the 42-month period from the record date	50%

During the unlocking period, if the unlocking conditions are satisfied in the current period, the Incentive Participants may apply to unlock the corresponding proportion of the restricted shares. The shares for which the unlocking is not applied as scheduled will no longer be unlocked and shall be repurchased and cancelled by the Company. If any installment does not meet the unlocking conditions in unlocking period, the restricted shares that can be unlocked in the current period shall not be unlocked and shall be repurchased and cancelled by the Company.

5. Lock-up period (禁售期)

The lock-up period refers to the period of time during which the restricted shares granted to the Incentive Participants is unlocked but shall not be sold. The lock-up arrangement under the Incentive Scheme shall be implemented in accordance with the requirements of the Company Law, the Securities Law and the relevant laws, regulations and regulatory documents as well as the Articles of Association. Specific contents are as follows:

1. Where an Incentive Participant is a director or a member of the senior management of the Company, the number of shares of the Company which may be transferred by the Incentive Participant each year during his term of office shall not exceed 25% of the total number of the shares of the Company held by him. No shares of the Company held by him shall be transferred within six months after his termination of office;

LETTER FROM THE BOARD

2. Where an Incentive Participant is a director or a member of the senior management of the Company and he/she disposes of any shares of the Company within six months after acquisition or buys back such shares within six months after disposal, all gains arising therefrom shall be accounted to the Company and the Board will collect all such gains;
3. Shareholding reduction by an Incentive Participant shall be in compliance with relevant requirements including the Several Provisions on Shareholding Reduction 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》) and the Implementation Rules for Shareholding Reduction by Shareholders, Directors, Supervisors and Senior Management of Listed Companies on Shenzhen Stock Exchange (《深圳證券交易所上市公司股東及董事、監事、高級管理人員減持實施細則》), the Listing Rules (including the Model Code) and the relevant securities law in Hong Kong;
4. If, during the Validity Period of the Incentive Scheme, there is any amendment to the requirements regarding transfer of shares by a director and a member of the senior management of the Company under the Company Law, the Securities Law and other relevant laws, regulations, regulatory documents and the Articles of Association, such amended requirements thereunder shall apply to the shares transferred by the Incentive Participants during the relevant times.

In the event that there is any material change to the laws and regulations affecting the transfer of shares by a director and a member of the senior management of the Company, further announcement(s) will be made by the Company regarding those changes as and when appropriate.

6. The grant price of the restricted shares and basis of determination for the grant price

For the grant price and basis of determination of the grant price of the Restricted Shares, please see the paragraph headed “Proposed Grant under the Incentive Scheme – Grant price and basis of determination” below.

7. Conditions of grant and unlocking of the Restricted Shares

(1) Conditions of grant of the Restricted Shares

Restricted shares may be granted to the Incentive Participants by the Company upon satisfaction of all of the following conditions. In other words, restricted shares cannot be granted to Incentive Participants if any of the following conditions of grant is not satisfied.

- (i) There is no occurrence of any of the following events on the part of the Company:
 1. issue of an auditors’ report with adverse opinion or which indicates an inability to give opinion by a certified public accountant with respect to the financial report of the Company for its most recent accounting year;

LETTER FROM THE BOARD

2. issue of an auditors' report with adverse opinion or which indicates an inability to give opinion by a certified public accountant with respect to the internal control of the financial report of the Company for its most recent accounting year;
 3. failure to conduct profit distribution in accordance with laws and regulations, the Articles of Association and public undertakings during the 36 months after listing;
 4. prohibition from implementation of a share incentive scheme by laws and regulations;
 5. any other circumstances as determined by the CSRC.
- (ii) There is no occurrence of any of the following events on the part of the Incentive Participants:
1. being subject to any identification as an ineligible personnel by a stock exchange in the last 12 months;
 2. being subject to any identification as an ineligible personnel by the CSRC and its resident agencies in the last 12 months;
 3. imposition of administrative penalties or measures prohibiting the Incentive Participants from entering into the market by the CSRC and its resident agencies in the last 12 months due to material non-compliance of laws or regulations;
 4. circumstances under which the Incentive Participant is prohibited from acting as a director and a member of the senior management of the Company pursuant to the Company Law;
 5. circumstances under which the Incentive Participants are not allowed by the laws and regulations to participate in share incentive schemes of a listed company;
 6. any other circumstances as determined by the CSRC.

LETTER FROM THE BOARD

(2) *Conditions of unlocking of the Restricted Shares*

The following conditions must be fulfilled before Participants exercise the granted Restricted Shares:

- (i) There is no occurrence of any of the following events on the part of the Company:
 - 1. issue of an auditors' report with adverse opinion or which indicates an inability to give opinion by a certified public accountant with respect to the financial report of the Company for its most recent accounting year;
 - 2. issue of an auditors' report with adverse opinion or which indicates an inability to give opinion by a certified public accountant with respect to the internal control of the financial report of the Company for its most recent accounting year;
 - 3. failure to conduct profit distribution in accordance with laws and regulations, the Articles of Association and public undertakings during the 36 months after listing;
 - 4. prohibition from implementation of a share incentive scheme by laws and regulations;
 - 5. any other circumstances as determined by the CSRC.
- (ii) There is no occurrence of any of the following events on the part of the Incentive Participants:
 - 1. being subject to any identification as an ineligible personnel by a stock exchange in the last 12 months;
 - 2. being subject to any identification as an ineligible personnel by the CSRC and its resident agencies in the last 12 months;
 - 3. imposition of administrative penalties or measures prohibiting the Incentive Participant from entering into the market by the CSRC and its resident agencies in the last 12 months due to material non-compliance of laws or regulations;
 - 4. circumstances under which the Incentive Participant is prohibited from acting as a director and a member of the senior management of the Company pursuant to the Company Law;

LETTER FROM THE BOARD

5. circumstances under which the Incentive Participants are not allowed by the laws and regulations to participate in share incentive schemes of a listed company;
6. any other circumstances as determined by the CSRC.

In case the Company has any of the circumstances specified in the above sub-paragraph (i) during the implementation of the Incentive Scheme, all the restricted shares that have been granted to the Incentive Participants under the Incentive Scheme but have not been unlocked shall be repurchased and cancelled by the Company and the repurchase price shall be the sum of the grant price and the interests on the bank deposits of the same term; in case any Incentive Participant has any of the circumstances specified in the above sub-paragraph (ii), the Company will terminate its right to participate in the Incentive Scheme, and the restricted shares that have been granted to the Incentive Participant under the Incentive Scheme but have not been unlocked shall be repurchased and cancelled by the Company and the repurchase price shall be the grant price.

(iii) Performance appraisal targets at the Company level

The Incentive Scheme is subject to evaluation once an accounting year. The performance appraisal targets of the First Grant are as follows:

Unlocking period	Performance appraisal targets
First unlocking period for the restricted shares under the First Grant	On the basis of the operating income after reasonable adjustments in 2018, the growth rate of the operating income for 2019 shall not be lower than 10%
Second unlocking period for the restricted shares under the First Grant	On the basis of the operating income after reasonable adjustments in 2018, the growth rate of the operating income for 2020 shall not be lower than 20%
Third unlocking period for the restricted shares under the First Grant	On the basis of the operating income after reasonable adjustments in 2018, the growth rate of the operating income for 2021 shall not be lower than 30%

LETTER FROM THE BOARD

The reserved Restricted Shares under the Incentive Scheme shall be unlocked in two installments if the Company's performance satisfies the following criterion:

Unlocking period	Performance assessment target
First unlocking period for the reserved Restricted Shares	On the basis of the operating income after reasonable adjustments in 2018, the growth rate of the operating income for 2020 shall not be lower than 20%
Second unlocking period for the reserved Restricted Shares	On the basis of the operating income after reasonable adjustments in 2018, the growth rate of the operating income for 2021 shall not be lower than 30%

Note:

1. Since the Company completed the acquisition of 82% equity interest of Dongfang Dairy in early November 2018, it became the sole shareholder of Dongfang Dairy, and incorporated its accounts for consolidation. The Company's future annual financial statements will merge the data of Dongfang Dairy. In order to ensure the accuracy, rationality and scientificity of the future performance evaluation indicators of this equity incentive plan, it is assumed that the Company would have completed the 82% equity acquisition of Dongfang Dairy in early 2018, that is, the accounts of Dongfang Dairy would have been consolidated in January 2018, and the Company's 2018 annual operating income has been reasonably adjusted, and adopted the reasonably adjusted 2018 annual operating income as the benchmark for the equity incentive performance evaluation. According to the "Preparation Review Report" issued by Ruihua Certified Public Accountants (Special General Partnership), the Company's operating income after reasonable adjustment in 2018 would be RMB836.4894 million.
2. Before unlocking of the restricted shares granted under the Incentive Scheme, for the Company's material asset acquisition schemes including brand mergers and acquisitions, it is required to deduct the effects on the Company's operating income arising from the implementation of the material asset acquisition schemes.
3. In the event the Company fails to meet the performance appraisal targets above, all restricted shares which can be unlocked by the Incentive Participants in the respective assessment year shall not be unlocked and shall be repurchased and cancelled by the Company at the grant price plus the interest rate of bank deposits of the same term.

LETTER FROM THE BOARD

The reconciliation from the operating income of the Company's statement of comprehensive income for the year ended 31 December 2018 to the adjusted operating for the performance appraisal targets is set out below:

		After adjustment in accordance with the “Preparation Review Report” issued by Ruihua Certified Public Accountants (Special General Partnership), assuming that the accounts of Dongfang Dairy would have been consolidated in the Company’s accounts in January 2018 (RMB)
	Before adjustment (RMB)	
Main business	631,743,770.88	807,476,337.05
Other business	25,988,326.14	29,013,046.76
Total	657,732,097.02	836,489,383.81

The above adjustments have been prepared by Ruihua Certified Public Accountants (Special General Partnership).

(iv) Performance appraisal requirements at the Incentive Participant level

Incentive Participants can only unlock restricted shares if the Company achieved the abovementioned performance appraisal targets and individuals' post performance appraisal standards in the previous year. The specific unlocking ratio shall be determined based on the individual performance appraisal results of the Incentive Participants.

The individual performance appraisal of the Incentive Participants shall be conducted annually in accordance with the Assessment Management Measures for Implementation of the 2019 Incentive Scheme for Restricted Shares of Lanzhou Zhuangyuan Pasture Co., Ltd. (《蘭州莊園牧場股份有限公司2019年限制性股票激勵計劃實施考核管理辦法》) The assessment results shall be determined in accordance with individuals' performance appraisal and evaluation indicators. In principle, the performance evaluation results are classified into four grades, i.e. excellent (A), good (B), general (C), and poor (D), of which, A/B/C are qualified and D is unqualified. The appraisal and evaluation form is applicable to the assessment objects.

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Appraisal results	Qualified			Unqualified
	Excellent (A)	Good (B)	General (C)	Poor (D)
Standard grade				
Standard coefficient	1.0	1.0	0.8	0

Individuals' actual unlock limit for the current year = standard coefficient × limit planned to be unlocked by individuals in the current year. The restricted shares which cannot be unlocked by the Incentive Participants in the year of appraisal shall be repurchased and cancelled by the Company.

(3) *Scientificity and Reasonableness of the Appraisal Indicators*

The restricted shares appraisal indicators of the Company are categorised into two levels, i.e. performance appraisal at the Company level and performance appraisal at individual level.

The performance indicator at the Company level is the growth rate of the operating income, which is an important indicator reflecting the Company's operating conditions and profitability and can establish a good image of capital market. After reasonable prediction and taking into account the incentive effect of the Incentive Scheme, the Company has set the operating income after reasonable adjustments for 2018 as the basis for the Incentive Scheme of restricted shares. The operating income growth rate for 2019 to 2021 is not less than 10%, 20% and 30% of the performance appraisal target, respectively.

In addition to the performance appraisal at the Company level, the Company has established a strict performance appraisal system for the Incentive Participants, which evaluates comprehensively the performance of Incentive Participants in an accurate and all-round manner. The Company will determine whether the Incentive Participants meet the unlocking conditions and the unlocking proportion based on their performance appraisal results for the previous year.

Given the above, the appraisal system for the Incentive Scheme of the Company is all-round, comprehensive and operable, and the appraisal indicators are scientific and reasonable, which are binding on the Incentive Participants and can serve the appraisal goal of the Incentive Scheme.

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Such arrangement may provide incentives to the Incentive Participants to remain employed with the Group and thereby enable the Group to benefit from the continued services of such Incentive Participants during such period. The Incentive Scheme requires Participants and the Company to reach performance appraisal targets before the Restricted Shares are unlocked. In addition, the performance target requirements provide incentives to the Incentive Participants to motivate their pro-activeness and creativity in using their best endeavours to facilitate the growth and development of the Company.

(4) *Unlocking arrangement of the Restricted Shares*

The locking period for the restricted shares granted under the Incentive Scheme shall be 18 months, 30 months and 42 months from the date of registration of the grant. The restricted shares granted to the Incentive Participants under the Incentive Scheme shall not be transferred or assigned or used as guarantee or for repayment of debts during the locking period. The shares and dividends obtained by the Incentive Participants due to the grant of the restricted shares not yet unlocked to them arising from capitalisation issue, distribution of dividends, bonus issue, share sub-division, etc. shall be subject to locking in accordance with the Incentive Scheme.

Upon unlocking, the Company shall proceed with the unlocking for the Incentive Participants who satisfy unlocking conditions, and the restricted shares held by Incentive Participants who do not satisfy the unlocking conditions shall be repurchased and cancelled by the Company. The Company will not repurchase the restricted shares from the Incentive Participant who is a Director during the prohibited period under the Listing Rules including Model Code.

The unlocking period and unlocking schedule for the restricted shares under the First Grant of the Incentive Scheme are shown in the table below:

Unlocking arrangement	Unlocking time	Unlocking proportion
First unlocking period for the restricted shares under the First Grant	Commencing on the first trading day after expiry of the 18-month period from the record date and ending on the last trading day of the 30-month from the record date	30%

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Unlocking arrangement	Unlocking time	Unlocking proportion
Second unlocking period for the restricted shares under the First Grant	Commencing on the first trading day after expiry of the 30-month period from the record date and ending on the last trading day of the 42-month period from the record date	30%
Third unlocking period for the restricted shares under the First Grant	Commencing on the first trading day after expiry of the 42-month period from the record date and ending on the last trading day of the 54-month period from the record date	40%

For the restricted shares subject to reserved grant under the Incentive Scheme, upon the expiry of 18 months from the grant date, if the unlocking conditions are satisfied, the Incentive Participants can apply for unlocking in two installments at the proportion of 50% and 50% within the unlocking period. Details are as follows:

Unlocking arrangement	Unlocking time	Unlocking proportion
First unlocking period for the restricted shares reserved	Commencing on the first trading day after expiry of the 18-month period from the record date and ending on the last trading day of the 30-month period from the record date	50%
Second unlocking period for the restricted shares reserved	Commencing on the first trading day after expiry of the 30-month period from the record date and ending on the last trading day of the 42-month period from the record date	50%

During the unlocking period, if the unlocking conditions are satisfied in the current period, the Incentive Participants may apply to unlock the corresponding proportion of the restricted shares. The shares for which the unlocking is not applied as scheduled will no longer be unlocked and shall be repurchased and cancelled by the Company. If any installment fails to meet the unlocking conditions in unlocking period, the restricted shares that can be unlocked in the current period shall not be unlocked and shall be repurchased and cancelled by the Company.

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8. Methods and procedures for adjustment for the Incentive Scheme

(1) *Methods of adjusting the number of Restricted Shares*

In the event of any capitalisation issue, bonus issue, sub-division, rights issue or share consolidation of the Company in the period from the date of announcement on the Incentive Scheme to the completion of registration of restricted shares by the Incentive Participants, the number of restricted shares shall be adjusted accordingly. The adjustment method is as follows:

(I) Capitalisation issue, bonus issue and sub-division of share capital

$$Q = Q_0 \times (1 + n)$$

Where: Q_0 represents the number of Restricted Shares before the adjustment; n represents the ratio of increase per Share resulting from the issue of Shares by conversion of capital reserve, bonus issue or sub-division of Shares (i.e. the number of Shares increased per Share upon issue of Shares by conversion of capital reserve, bonus issue or sub-division of Shares); Q represents the adjusted number of Restricted Shares.

(II) Rights issue

$$Q = Q_0 \times P_1 \times (1 + n) \div (P_1 + P_2 \times n)$$

Where: Q_0 represents the number of Restricted Shares before the adjustment; P_1 represents the closing price as at the record date; P_2 represents the price of the rights issue; n represents the ratio of the rights issue (i.e. the ratio of the number of Shares to be issued under the rights issue to the total share capital of the Company before the rights issue); Q represents the adjusted number of Restricted Shares.

(III) Share consolidation

$$Q = Q_0 \times n$$

Where: Q_0 represents the number of Restricted Shares before the adjustment; n represents the ratio of consolidation of Shares (i.e. one Share shall be consolidated into n Shares); Q represents the adjusted number of Restricted Shares.

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(IV) New issue of shares

In the event of new issue of shares, no adjustment shall be made to the number of restricted shares.

No adjustment will be made due to the proposed issuance of A Share convertible bonds, details of which are set out in the announcement of the Company dated 1 February 2019.

(2) *Method of adjusting the grant price of the Restricted Shares*

In the event that, from the date of this announcement to the registration of the Restricted Shares by the Participants, any issue of Shares by capitalisation issue, bonus issue, sub-division, rights issue or consolidation of Shares or dividend distribution has been made, an adjustment to the grant price of Restricted Shares shall be made by the Company accordingly. The method of adjustment in principle is set out below:

(I) Issue of Shares by capitalisation issue, bonus issue and sub-division of Shares

$$P = P_0 / (1 + n)$$

Where: P_0 represents the grant price before the adjustment; n represents the ratio of increase per Share resulting from the issue of Shares by conversion of capital reserve, bonus issue and sub-division of Shares to each Share; P represents the adjusted grant price.

(II) Rights issue

$$P = P_0 \times (P_1 + P_2 \times n) \div [P_1 \times (1 + n)]$$

Where: P_0 represents the grant price before the adjustment; P_1 represents the closing price as at the record date; P_2 represents the price of the rights issue; n represents the ratio of the rights issue (i.e. the ratio of the number of Shares to be issued under the rights issue to the total share capital of the Company before the rights issue); P represents the adjusted grant price.

(III) Consolidation of Shares

$$P = P_0 \div n$$

Where: P_0 represents the grant price before the adjustment; n represents the ratio of consolidation of Shares; P represents the adjusted grant price.

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(IV) Dividend distribution

$$P = P_0 - V$$

Where: P_0 represents the grant price before the adjustment; V represents the dividend per Share; P represents the adjusted grant price. P shall be greater than 1 after the dividend distribution.

(V) Additional issue of new shares

Under the circumstance of additional issue of new shares, no adjustment will be made on the grant price of the Restricted Shares.

(3) *Adjustment procedures for the Incentive Scheme of restricted shares*

The Board of the Company shall pass a resolution for adjusting the number and the grant price of restricted shares upon occurrence of any of the abovementioned circumstances. The Company shall engage a legal adviser to give professional advice to the Board on whether such adjustment is in compliance with the Management Measures, the Listing Rules, the Articles of Association and the Incentive Scheme. After the resolution for above-mentioned adjustment is considered and passed by the Board, the Company shall disclose an announcement on the resolution by the Board timely, and announce the opinions of the legal adviser. The adjustment to the quantity, price or other terms due to other reasons shall be subject to resolution of the Board of the Company and consideration and approval at the general meeting.

9. Implementation of Incentive Scheme in the event of changes in the Company and Participants

(1) *Handling unusual changes to the Company*

(I) The Incentive Scheme shall be terminated immediately if any of the following events occurs to the Company, and the restricted shares which have been granted to the Incentive Participants but not yet unlocked shall not be unlocked and shall be repurchased and cancelled by the Company:

1. issue of an auditors' report with adverse opinion or which indicates an inability to give opinion by a certified public accountant with respect to the financial report of the Company for its most recent accounting year;
2. issue of an auditors' report with adverse opinion or which indicates an inability to give opinion by a certified public

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accountant with respect to the internal control of the financial report of the Company for its most recent accounting year;

3. failure to conduct profit distribution in accordance with laws and regulations, the Articles of Association and public undertakings during the 36 months after listing;
4. prohibition from implementation of a share incentive scheme by laws and regulations;
5. other circumstances under which the Incentive Scheme shall be terminated as determined by the CSRC.

(II) The Incentive Scheme shall be implemented normally if any of the following events occurs to the Company:

1. change in control of the Company;
2. merger and spin-off of the Company.

(III) Where false statements or misleading statements in or material omissions from the information disclosure documents of the Company result in non-compliance with condition of grant or arrangements for unlocking of the restricted shares, all unlocked restricted shares shall be repurchased and cancelled by the Company. In respect of the restricted shares already unlocked by the Incentive Participants, the Incentive Participants concerned shall return to the Company all interests granted. The Incentive Participants who bear no responsibility for the aforesaid matters and who incur losses as a result of the return of the restricted shares granted may seek compensation from the Company or responsible parties in accordance with relevant arrangements under the Incentive Scheme. The Board shall recover the gain received by the Incentive Participants in accordance with the aforesaid provisions and the relevant arrangements under the Incentive Scheme.

(IV) In case of changes in the operating environment, market conditions or other factors, if it is difficult to achieve the incentive purpose by further implementation of the Incentive Scheme, the Incentive Scheme may be terminated early with the approval at the Company's general meeting. The restricted shares which have been granted to the Incentive Participants but not yet unlocked shall be repurchased and cancelled by the Company uniformly at the grant price plus the interest rate of bank deposits of the same term.

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(2) *Change in personal particulars of the Incentive Participants*

- (I) In case an Incentive Participant has a change in job position but still works in the Company or a subsidiary or holding subsidiary of the Company, the restricted shares granted to him/her will be fully regulated by the procedures as specified in the Incentive Scheme before the change of his/her job position; however, in case an Incentive Participant has a job position change because he/she is not qualified for his/her job, violates laws, disobeys professional ethics, reveals confidential information of the Company, fails to discharge his duties or has willful misconduct, causing damages to the interest or reputation of the Company, or the Company terminates his/her employment contract for any of the above reasons, the restricted shares which have been granted to the Incentive Participant but not yet unlocked shall not be unlocked and shall be repurchased and cancelled by the Company.
- (II) In case an Incentive Participant is disqualified to participate in the Incentive Scheme due to one of the following circumstances, the Board may decide that the restricted shares which have been granted to the Incentive Participant under the Incentive Scheme on the date of occurrence of the circumstance but not yet unlocked shall not be unlocked and shall be repurchased and cancelled by the Company in accordance with the uniform arrangement of the Company:
1. Having been declared an inappropriate candidate by any stock exchange in the past 12 months;
 2. Having been declared an inappropriate candidate by the CSRC and its local counterparts in the past 12 months;
 3. Having been imposed with administrative penalties or prohibited from market entry by the CSRC and its local counterparts in the past 12 months due to material violation of laws and regulations;
 4. Being prohibited from acting as a director or a member of senior management of the Company by the Company Law;
 5. Being prohibited from participating in any share incentive scheme of listed companies by laws and regulations;
 6. Other circumstances as determined by the CSRC.

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- (III) In case an Incentive Participant leaves the Company due to resignation or redundancy, the restricted shares which have been granted to the Incentive Participant but not yet unlocked shall not be unlocked and shall be repurchased and cancelled by the Company. The repurchase price shall be the sum of the grant price plus the interest rate of bank deposits of the same term. The Incentive Participant shall pay individual income tax for the locked restricted shares before he/she leaves the Company.
- (IV) In case an Incentive Participant no longer serves the Company due to retirement, the restricted shares which have been granted to the Incentive Participant but not yet unlocked shall not be unlocked and shall be repurchased and cancelled by the Company. The Incentive Participant shall pay individual income tax for the locked restricted shares before he/she leaves the Company.
- (V) The resignation of Incentive Participants due to incapacity shall be treated depending on the following two circumstances:
 - 1. If an Incentive Participant resigns due to incapacity resulting from performance of duties, the restricted shares granted to the Incentive Participant shall be fully subject to the procedures under the Incentive Scheme in accordance with the case prior to the incapacity, and the individual performance appraisal results will no longer be included in the unlocking conditions;
 - 2. If an Incentive Participant resigns not due to incapacity resulting from performance of duties, the restricted shares which have been granted to the Incentive Participant but not yet unlocked shall not be unlocked and shall be repurchased and cancelled by the Company. The Incentive Participant shall pay individual income tax for the locked restricted shares before he/she leaves the Company.
- (VI) The death of Incentive Participants shall be treated depending on the following two circumstances:
 - 1. If an Incentive Participant dies due to the performance of duties, the restricted shares which have been granted to the Incentive Participant shall be held by his/her designated heir or lawful heir on his/her behalf. The restricted shares granted to the Incentive Participant but not yet unlocked shall be subject to the procedures under the Incentive Scheme in accordance with the case prior to the death, and the individual performance appraisal results will no longer be included in the unlocking conditions;

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2. If an Incentive Participant dies due to other reasons, the restricted shares which have been granted to the Incentive Participant but not yet unlocked shall not be unlocked and shall be repurchased and cancelled by the Company. The repurchase price shall be the sum of the grant price plus the interest rate of bank deposits of the same term; the unlocked restricted shares shall be inherited by the heir and the individual income tax on such shares shall be paid by the heir.

(VII) Other circumstances not stated above and the handling method thereof shall be determined by the Remuneration and Assessment Committee of the Board.

10. Principles of repurchase and cancellation

(1) *Principles of repurchase and cancellation of restricted shares*

Upon completion of registration of the restricted shares granted to the Incentive Participants, in case of capitalisation issue, bonus issue, sub-division of share capital, rights issue, share consolidation or distribution of dividends, the restricted shares which have been granted to the Incentive Participants but not yet unlocked shall not be unlocked and the shares of the Company obtained by the Incentive Participants based on such restricted shares shall be repurchased by the Company. If it is required to adjust the repurchase price or quantity in accordance with the Incentive Scheme, adjustment shall be conducted in accordance with the following method:

(2) *Method for adjustment of repurchase quantity*

- (I) Capitalisation issue, bonus issue and sub-division of share capital

$$Q = Q_0 \times (1 + n)$$

Where: Q_0 represents the number of restricted shares prior to adjustment; n represents the rate of increase per share resulting from capitalisation issue, bonus issue and sub-division of share capital (i.e. the increase in number of shares per share upon capitalisation issue, bonus issue and sub-division of the share capital); Q represents the number of restricted shares after adjustment.

- (II) Rights issue

$$Q = Q_0 \times P_1 \times (1 + n) \div (P_1 + P_2 \times n)$$

Where: Q_0 represents the number of restricted shares prior to adjustment; P_1 represents the closing price on the record date; P_2 represents the

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price of rights issue; n represents the ratio of the rights issue (i.e. the ratio of the number of shares to be issued under the rights issue to the total share capital of the Company prior to the rights issue); Q represents the number of restricted shares after adjustment.

(III) Share consolidation

$$Q = Q_0 \times n$$

Where: Q_0 represents the number of restricted shares prior to adjustment; n represents the ratio of share consolidation (i.e. one share shall be consolidated into n share); Q represents the number of restricted shares after adjustment.

(IV) New issue of shares

In the event of new issue of Shares, no adjustment shall be made to the number of restricted shares.

(3) *Method for adjustment of repurchase price*

(I) Capitalisation issue, bonus issue and sub-division of share capital

$$P = P_0 \div (1 + n)$$

Where: P represents the number of restricted shares after adjustment; P_0 represents the grant price per restricted share; n represents the rate of increase per share resulting from capitalisation issue, bonus issue and subdivision of share capital (i.e. the increase in number of shares per share upon capitalisation issue, bonus issue and sub-division of the share capital).

(II) Rights issue

$$P = P_0 \times (P_1 + P_2 \times n) \div [P_1 \times (1 + n)]$$

Where: P represents the number of restricted shares after adjustment, P_0 represents the grant price per restricted share; P_1 represents the closing price of shares on the record date; P_2 represents the price of rights issue; n represents the ratio of the rights issue (i.e. the ratio of the number of shares to be issued under the rights issue to the total share capital of the Company prior to the rights issue).

(III) Share consolidation

$$P = P_0 \div n$$

Where: P represents the number of restricted shares after adjustment, P_0 represents the grant price per restricted share; n represents the ratio of share consolidation per share (i.e. one share shall be consolidated into n share).

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(IV) Distribution of dividends

$$P = P_0 - V$$

Where: P_0 represents the repurchase price per restricted share prior to adjustment; V represents the amount of dividends per share; P represents the number of restricted shares after adjustment. After the adjustment through distribution of dividends, P shall still be larger than 1.

(V) New issue of shares

In the event of new issue of Shares, no adjustment shall be made to the price of restricted shares.

(4) *Procedures for adjustment of repurchase quantity or price*

- (I) The Board of the Company shall be authorized at the general meeting of Company to adjust the repurchase price of restricted shares based on the reasons listed above. After adjustment to the repurchase price according to the above provisions, an announcement shall be made in a timely manner.
- (II) The adjustment to the repurchase price of restricted shares for other reasons shall be subject to resolution of the Board and consideration and approval at the general meeting.

(5) *Procedures of repurchase and cancellation*

When the Company implements the repurchase in accordance with the provisions of the Incentive Scheme, it shall promptly convene a Board meeting to consider the repurchase plan and submit the same to the general meeting for approval according to law, and make a timely announcement.

The implementation of the repurchase in accordance with the provisions of the Incentive Scheme shall be subject to the Company Law.

When the Company implements the repurchase in accordance with the provisions of the Incentive Scheme, it is required to apply to the stock exchange for unlocking such restricted shares. Securities registration and clearing institution will conduct registration and settlement procedure thereof upon confirmation by such stock exchange.

11. Specific Mandate

The Restricted Shares (the First Grant and the Reserved Grant) of the Incentive Scheme will be issued by way of specific mandate.

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III. PROPOSED GRANT UNDER THE INCENTIVE SCHEME

Major terms of the proposal in respect of the Proposed Grant of the Restricted Shares are set out in details in this section. Relevant requirements of the proposal of the Proposed Grant of the Restricted Shares shall also comply with the restrictive provisions under the Incentive Scheme. Other requirements not provided for in the proposal in respect of the Proposed Grant of Restricted Shares shall be determined with reference to the relevant terms under the Incentive Scheme.

1. Number of underlying Shares in relation to the Restricted Shares under the Proposed Grant

The total number of the Restricted Shares that may be granted under the Incentive Scheme shall be 4,792,800 Shares, representing 2.56% of the Company's total share capital of 187,340,000 Shares as at the Latest Practicable Date, of which 4,192,800 Shares will be granted under the First Grant, representing 2.24% of the Company's total share capital of 187,340,000 Shares as at the Latest Practicable Date and 87.48% of the total equity of this grant; and 600,000 Shares will be reserved, representing 0.32% of the Company's total share capital of 187,340,000 Shares as at the Latest Practicable Date and 12.52% of the total equity of this grant.

After the implementation of the Incentive Scheme, the total equity to be granted under the Incentive Scheme during the Validity Period will not exceed 10% of the Company's total share capital as required by the CSRC, and the total Shares to be granted under the Incentive Scheme to any one of the Participant will not exceed 1% of the Company's total share capital as at the date of the proposal of the Incentive Scheme at the general meeting for consideration.

As at the Latest Practicable Date, the Company does not have any plans to grant further Restricted Shares, in addition to the proposed 4,792,800 Restricted Shares, within the limit of 10% of the Company's total share capital. In the event that the Company decides to grant additional Restricted Shares within the limit of 10% of the Company's total share capital, such grant will comply with the requirements under the Stock Exchange and the Shenzhen Stock Exchange, and further announcement(s) will be made by the Company regarding such grant as and when appropriate.

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2. Allocation of the Restricted Shares under the First Grant

The total number of proposed Participants for the First Grant of Restricted Shares under the Incentive Scheme is 100. The proposed Participants of the Incentive Scheme include existing Directors (if any), senior management, middle management, core technical (business) personnel of the Company during implementation of the Incentive Scheme. Details of the allocation of the Proposed Grant under the Incentive Scheme are as follows:

Table A

Name	Position	Number of Restricted Shares to be Granted (0'000 shares)	Approximate percentage to the total number of Restricted Shares to be Granted (including the Reserved Grant)	Approximate percentage to the total number of Shares in issue as at the date of the announcement on the scheme
Directors, senior management				
Wang Guofu	Vice chairman of the Board, Executive Director, financial controller	48.30	10.08%	0.26%
Chen Yuhai	Executive Director, general manager	48.30	10.08%	0.26%
Zhang Qianyu	Executive Director, secretary to the Board	10.80	2.25%	0.06%
Ma Tianliang	Deputy general manager	26.25	5.48%	0.14%
Li Baozhu	Deputy general manager	19.25	4.02%	0.10%
Other personnel				
Middle management (11 people)		133.77	27.91%	0.71%
Among which:				
Ding Jianping	Chief executive officer of a subsidiary of the Company	48.30	10.08%	0.26%
Zhao Qinghua	Director of a subsidiary of the Company	10.64	2.22%	0.06%
Core technical (business) employees (84 people)		132.61	27.67%	0.71%
Reserved Grant		60	12.52%	0.32%
Total (100 people)		479.28	100.00%	2.56%

Notes:

- As Wang Guofu, Chen Yuhai, Zhang Qianyu, Ma Tianliang and Li Baozhu do not hold any Shares of the Company, they are not required to abstain from voting for the shareholder resolutions relating to the Restricted A Shares Incentive Scheme and the grant to the connected persons under the First Grant pursuant to the Shares Incentive Scheme.
- The total Shares to be granted under the Incentive Scheme to any one of the above-mentioned Participants will not exceed 1% of the Company's total share capital. The total subject Shares to be granted the Incentive Scheme will not exceed 10% of the Company's total share capital as at the date of the proposal of the Incentive Scheme at the general meeting.

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3. Participants for the Reserved Grant shall be determined within 12 months from the date on which the Incentive Scheme is considered and passed at the general meeting. Following the proposals from the Board, issue of clear opinions by the independent Directors and the supervisory committee as well as issue of professional opinions and legal opinions by the legal adviser, the Company shall promptly and accurately disclose the relevant information on such Participants on the designated website(s) pursuant to the relevant requirements.

Under the First Grant, certain Participants are directors or chief executive officers of the Company or certain subsidiaries of the Company and hence a connected person (including connected person at subsidiary level) of the Company. Details of the aforesaid grant of Restricted Shares are as follows:

Table B

Name	Position	Number of Restricted Shares to be Granted (0'000 shares)	Approximate percentage to the total number of Restricted Shares to be granted (including the Reserved Grant)	Approximate percentage to the total number of Shares in issue as at the date of the Announcement on the scheme
Wang Guofu ¹	Executive Director, financial controller, Vice chairman to the Board	48.30	10.08%	0.26%
Chen Yuhai ²	Executive Director, general manager	48.30	10.08%	0.26%
Zhang Qianyu ³	Executive Director, secretary to the Board	10.80	2.25%	0.06%
Ding Jianping ⁴	Chief executive officer of a subsidiary of the Company	48.30	10.08%	0.26%
Zhao Qinghua ⁵	Director of a subsidiary of the Company	10.64	2.22%	0.06%

Notes:

1. Mr. Wang Guofu is responsible for the overall financial management and control of the Company. He has more than 20 years of experience in the food industry. He joined the Group in 2001 and served as chief financial officer, deputy general manager and secretary of the board of directors. He is currently the vice chairman of the Board and concurrently the financial controller of the Company. He is also the legal representative of Yuzhong Ruifeng Pasture Co., Ltd.* (榆中瑞豐牧場有限公司) and Linxia County Ruian Pasture Co., Ltd.* (臨夏縣瑞安牧場有限公司) and the supervisor of Qinghaihu Dairy, Qinghai Shengya Plateau Pasture Co., Ltd.* (青海聖亞高原牧場有限公司), Linxia County Ruiyuan Pasture Co., Ltd.* (臨夏縣瑞園牧場有限公司) and Lanzhou Ruixing Farming Co., Ltd.* (蘭州瑞興牧業有限公司).

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2. Mr. Chen Yuhai is responsible for overall work of the project development department. He has more than 20 years of experience in the dairy industry. He joined the Group in April 2008 and served as project manager, deputy general manager. He is currently the general manager of the Company. He is also the legal representative of Ningxia Zhuangyuan Pasture Co., Ltd.* (寧夏莊園牧場有限公司) and the supervisor of Wuwei Ruida Pasture Co., Ltd.* (武威瑞達牧場有限公司), Linxia County Ruian Pasture Co., Ltd.* (臨夏縣瑞安牧場有限公司) and Qinghai Shengyuan Plateau Pasture Co., Ltd.* (青海聖源牧場有限公司).
3. Ms. Zhang Qianyu, joint company secretary and secretary of the Board of the Company, is responsible for system establishment, plans administration and equity management. Before joining our Company, Ms. Zhang was the general manager of the investment banking department of Lanzhou Branch of China CITIC Bank Corporation Limited from January 2017 to December 2017.
4. Mr. Ding Jianping has more than 16 years of experience in dairy industry and enterprise management. He served as marketing director and operating directors of Lanzhou Zhuangyuan Dairy Company Limited from August 2007 to September 2010. He served as general manager of Dongfang Dairy from October 2010 to November 2018. Mr. Ding currently is the chairman and general manager of Dongfang Dairy, a wholly owned subsidiary of the Company.
5. Mr. Zhao Qinghua has more than 30 years of experience in financing practice. He served as project manager of Qinghaihu Dairy from 2009 to 2011. He has served as director of audit department of the Company since 2011. Mr. Zhao is currently the operating center directors of the Company, and is responsible for the operation and management of the Company and subsidiaries. Besides, he is also the executive director of Gansu Ruijia Animal Husbandry Co., Ltd. (甘肅瑞嘉牧業有限公司), a subsidiary of the Company.

All the abovementioned incentive targets who is also a shareholder of the Company shall abstain from voting on shareholders' resolutions on adoption of Incentive Scheme and proposed grant of Restricted Shares to connected persons under the First Grant pursuant to the Incentive Scheme.

As at the Latest Practicable Date, the number and identity of the proposed Participants for the Reserved Grant of Restricted Shares under the Incentive Scheme have not been determined. As set out under paragraph headed "II. Restricted A Shares Incentive Scheme — 2. Basis for determining the Participants and the scope of Participants of the Incentive Scheme — (2) Scope of Participants" in this letter, Participants for the Reserved Grant shall be determined within 12 months from the date on which the Incentive Scheme is considered and passed at the general meeting. Upon determination of the Participants for the Reserved Grant, including the number and identity of the Participants, further announcement(s) will be made by the Company regarding the details of those Participants as and when appropriate. If any Participants are connected persons of the Company, the Company will comply with the relevant requirements under the Listing Rules where applicable.

3. Date of grant

(1) Date of Grant of the Incentive Scheme

The Date of Grant shall be determined by the Board after the Incentive Scheme is considered and passed at the general meeting of the Company, and must be a trading day. The Company shall grant the restricted shares and complete the announcement and registration procedures within 60 days from the date on which the

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Incentive Scheme is considered and passed at the general meeting of the Company, failing which the Company shall disclose the reasons for the failure and announce termination of the Incentive Scheme and the restricted shares which have not been granted will lapse. In accordance with the Management Measures and the Memorandum No. 4 Concerning Information Disclosure on Small and Medium-sized Enterprises Board: Equity Incentive (《中小企業板信息披露業務備忘錄第4號：股權激勵》), the period during which no entitlements shall be granted shall not be included in the 60 days. Part of the reserved Restricted Shares will be granted within 12 months from the date on which the Incentive Scheme is considered and passed at the general meeting of the Company. The date of announcement on Board resolution in relation to reservation of shares and consideration of the grant of the Restricted Shares shall be the Date of Grant.

The Date of Grant must be a trading day and shall not fall within any of the following periods:

- (1) the period commencing from 30 days prior to the publication of periodic reports of the Company after the publication of the reports, or in the event of delay in publishing the reports for special reasons, 30 days prior to the original date of publication and up to one day prior to the date of publication;
- (2) the period commencing from 10 days prior to the publication of the announcement of results forecast and preliminary results of the Company after the publication of such announcement;
- (3) the period commencing from the date of occurrence of any significant event which may have significant effect on the trading prices of the Company's shares and their derivatives of the Company or the date on which relevant decision-making procedures start and ending on the second trading day following the publication in accordance with laws;
- (4) other periods as stipulated by the CSRC and Shenzhen Stock Exchange.

The abovementioned period during which it is not allowed to grant restricted shares is not included in the period of 60 days.

In case of shareholding reduction by the Company's Directors and senior management as the Incentive Participants within 6 months before the grant of Restricted Shares, the grant of Restricted Shares shall be postponed for six months from the date of the last shareholding reduction in accordance with the short-swing trading provisions under the Securities Law.

Before the Company grants restricted shares to the Incentive Participants, it is required to convene a Board meeting to consider whether conditions on grant of Restricted Shares to the Incentive Participants in relation to the Incentive Scheme are satisfied and the Company's independent Directors and the Supervisory Committee shall express clear opinions; the law firm shall issue a legal advice on whether the

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conditions on grant of restricted shares to the Incentive Participants are satisfied. The Board of the Company shall grant Restricted Shares to qualified Incentive Participants and complete relevant procedures including capital verification, announcement and registration.

The date of Grant will comply with the Listing Rules including the Model Code. Upon determination of the date of Grant, further announcement(s) will be made by the Company regarding the relevant details as and when appropriate.

4. Grant price and basis of determination

The grant price of the Restricted Shares under First Grant shall be RMB6.96 per A Share. Upon fulfillment of grant conditions, each Participant is entitled to acquire A Share newly issued to the Participants by the Company at the price of RMB6.96 per A Share.

The grant price of the Restricted Shares under First Grant shall not be lower than the carrying amount of the A Shares, and not lower than the higher of the followings: (1) 50% of the average trading prices of the A Shares on the trading day preceding the date of the Supplemental Announcement of the Incentive Scheme (the total trading amount of A Shares on the previous trading day/total volume of the A Shares traded on the previous trading day, i.e. RMB13.91 per A Share), i.e. RMB6.96 per A Share; (2) 50% of the average trading prices of the A Shares for the last 20 trading days preceding the date of the Supplemental Announcement of the Incentive Scheme (the total trading amount of A Shares for the last 20 trading days/total volume of the A Shares traded on the last 20 trading days, i.e. RMB12.97 per A Share), i.e. RMB6.49 per A Share.

The above Grant Price has been adjusted downward from RMB8.60 per A Share as announced in 28 September 2018 to RMB6.96 per A Share at the Board meeting of the Company on 11 March 2019, as a result of the downward movement of the A Share price of the Company since October 2018 and up to early March 2019. The Directors consider that the downward adjustment of the Grant Price will be more reflective to the recent share price of the Company, and the updated Grant Price, representing 50% the average trading prices of the A Shares of the Company on the trading day preceding the date of the announcement of the Board resolution of granting the reserved Restricted Shares (i.e., 11 March 2019), is more able to serve the purpose of incentivizing the Participants). The Company confirms that there will be not any further change of the Grant Price after the publication of this circular.

The grant of the reserved Restricted Shares is subject to the consideration and approval of related resolution by the Board and the announcement disclosing related situation. The grant price of the reserved Restricted Shares shall not be lower than the carrying amount of the A Shares, and not lower than the higher of the followings: (1) 50% of the average trading prices of the A Shares of the Company on the trading day preceding the date of the announcement of the Board resolution of granting the reserved Restricted Shares; (2) 50% of the average trading prices of the A Shares for the last 20 trading days preceding the date of the announcement of the Board resolution of granting the reserved Restricted Shares.

After the Incentive Scheme and the transactions contemplated thereunder have been approved at the general meeting of the Company, another Board meeting will be held to

LETTER FROM THE BOARD

determine the details of the proposed grant of the Restricted Shares and to approve the signing with the Participants an Agreement on Grant of the Restricted Shares with the Incentive Participants 《限制性股票授予協議書》 which sets out the details of the proposed grant including, amongst others, the payment period of the Grant Price. Payment of the Grant Price by the Participants will be verified by certified accountants. In the event that the Participant fails to pay the Grant Price as required, no Restricted Shares will be granted to such Participant and his/her entitlements to the Restricted Shares shall be forfeited.

Conditions to the Incentive Scheme becoming effective

The Incentive Scheme shall be effective upon the approval of a general meeting of the Company and the Class Meetings, in particular, the passing of the resolution regarding the Assessment Management Measures (details of which are set out in Appendix II to this circular) must be obtained.

The Board consider that the Assessment Management Measures are devised by the Company in compliance with the relevant provisions of the “Administrative Measures on Equity Incentives of Listed Companies” (CSRC No. 126) (《上市公司股權激勵管理辦法》(證監會令第126號)). The Assessment Management Measures aim to strengthen the implementation of the Incentive Scheme, quantify the specific objectives set out in the Incentive Scheme, promote the scientific, standardized and institutionalized management of assessment of incentive participants, and ensure the realization of the performance indicators under the Incentive Scheme. And at the same time, these measures guide the Incentive Participants to improve work performance and working competence and evaluate employees’ performance and contribution in an objective and fair way, to provide an objective and comprehensive evaluation basis for the implementation of the Incentive Scheme. The Board confirms that no further change to such measures can be made in the future without shareholders’ approval.

IV. RESOLUTION ON THE AUTHORIZATION TO THE BOARD TO DEAL WITH RELATED ISSUES REGARDING THE SHARE INCENTIVE SCHEME AT THE GENERAL MEETING

In order to ensure the smooth implementation of the 2019 Restricted Share Incentive Scheme of the Company, the Board of the Company has approved to seek for authorization to the Board to deal with related issues regarding the Restricted Share Incentive Scheme at the general meeting:

- (1) Authorization to the Board to deal with the following related issues regarding the Restricted Share Incentive Scheme of the Company at the general meeting:
 - 1) to authorize the Board to issue not more than 4,792,800 A Shares as Restricted A Shares under the Incentive Scheme;
 - 2) to authorize the Board to determine the qualifications and conditions for Incentive Participants to participate in the Restricted Share Incentive Scheme, the list of Incentive Participants, the grant quantity, the Grant Price and the Grant Date of the Restricted Share Incentive Scheme;

LETTER FROM THE BOARD

- 3) to authorize the Board to adjust the quantity of restricted shares in accordance with the methods specified in the Restricted Share Incentive Scheme in the event of any capitalisation issue, bonus issue, sub-division, share consolidation or rights issue of the Company;
- 4) to authorize the Board to adjust the Grant Price of restricted shares in accordance with the methods specified in the Restricted Share Incentive Scheme in the event of any capitalisation issue, bonus issue, sub-division, share consolidation, rights issue or distribution of dividends of the Company;
- 5) to authorize the Board to formally grant restricted shares to the Incentive Participants when they become eligible and to deal with all matters necessary for the grant of restricted shares, including signing the Agreement on Grant of the Restricted Shares with the Incentive Participants 《限制性股票授予協議書》;
- 6) to authorize the Board to review and confirm the unlocking qualifications or conditions of the Incentive Participants and to agree with the Board for granting such right for exercise by the Remuneration and Assessment Committee;
- 7) to authorize the Board to determine whether the Incentive Participants can be subject to unlocking;
- 8) to authorize the Board to deal with all matters necessary for the unlocking for the Incentive Participants, including but not limited to application to the stock exchange for unlocking, application to the registration and clearing institution for conducting registration and settlement, amending the Articles of Association and handling the business registration for the changes in registered capital of the Company;
- 9) to authorize the Board to deal with the sales prohibition of the unlocked restricted shares;
- 10) to authorize the Board to proceed with the procedures including change and termination of the Restricted Share Incentive Scheme in accordance with the 2019 Restricted Share Incentive Scheme, including but not limited to disqualification of the Incentive Participants for unlocking, dealing with the repurchase and cancellation of the unlocked restricted shares, dealing with the inheritance of unlocked restricted shares of the deceased Incentive Participants and termination of the 2019 Restricted Share Incentive Scheme of the Company;

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- 11) to authorize the Board to manage and adjust the 2019 Restricted Share Incentive Scheme of the Company, and irregularly formulate or amend the management and implementation rules of the scheme on the premise of compliance with the terms of the Incentive Scheme. However, if such amendments are subject to approval at the general meeting or/and by relevant regulatory authorities under laws, regulations or the requirements of relevant regulatory authorities, such amendments by the Board shall be subject to such approvals; to authorize the Board to handle other necessary matters required for the implementation of the Restricted Share Incentive Scheme, save for rights expressly stipulated in relevant documents to be exercised by the general meeting.
- (2) Authorization to the Board to appoint financial advisers, receiving banks, accountants, lawyers and other intermediaries for the implementation of the Incentive Scheme at the general meeting.
- (3) Approval on consistency of the term granted to the Board with the validity period of the Incentive Scheme at the general meeting of the Company.

In addition, the Board of the Company has approved to seek a separate authorization to the Board in respect of the grant of Restricted A Shares to executive Directors and other connected person grantees under the First Grant at the EGM and Class Meetings.

The abovementioned authorizations can be directly exercised by the Chairman or the appropriate person authorised by the Chairman on behalf of the Board other than those subject to resolution by the Board as expressly stipulated in laws, administrative regulations, rules, normative documents, the Incentive Scheme or the Articles of Association.

V. LISTING RULES IMPLICATION

The Board proposed to seek the Shareholders' approval at the EGM and Class Meetings a resolution for the adoption of the Incentive Scheme under specific mandate.

Under the First Grant, certain Participants are the directors or the chief executive officers of the Company and certain subsidiaries of the Company (see Table B on page 31 in this circular) and hence a connected person of the Company. The grant of Restricted A Shares to connected person (including connected person at subsidiary level) of the Company constitutes non-exempt connected transactions of the Company, which is subject to reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Also, the subsequent grant of reserved Restricted A Shares, including the Reserved Grant, under the Incentive Scheme may involve a connected person (including connected person at subsidiary level) of the Company and in such a case, will constitute a non-exempt connected transaction of the Company which is subject to reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. In the event that the subsequent grant under the Incentive Scheme, including the Reserved Grant, constitutes a connected transaction of the Company, the Company will comply with all the applicable

LETTER FROM THE BOARD

requirements of the Listing Rules in due course, including but not limited to, issuing announcement and/or circular setting out the information of such subsequent grant and seeking a separate independent shareholders' approval for such subsequent grant. The subsequent grant of reserved Restricted A Shares under the Incentive Scheme shall comply with the Listing Rules including the Model Code.

VI. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Company has established an Independent Board Committee so as to give advice to independent Shareholders in relation to adoption of Incentive Scheme and the proposed grant of Restricted A Shares to connected person(s) under the First Grant pursuant to the Incentive Scheme. The text of the letter of advice from the Independent Board Committee is set out on pages IBC-1 to IBC-2 of the Circular.

The Company has appointed and the Independent Board Committee has approved the appointment of Giraffe Capital Limited as the independent financial adviser so as to give advice to the Independent Board Committee and independent Shareholders in relation to the adoption of the Incentive Scheme and the proposed grant to the connected person(s) under the First Grant pursuant to the Incentive Scheme.

VII. EGM AND CLASS MEETINGS

The second supplemental notices of the EGM, A Shares Class Meeting and the H Shares Class Meeting were issued on 3 April 2019. If you are eligible and intend to attend the EGM, A Shares Class Meeting and/or the H Shares Class Meeting, please complete and return the reply slips issued on 3 April 2019 in accordance with the instructions printed thereon on or before Friday, 3 May 2019. A Shares Shareholders and H Shares Shareholders who intend to appoint a proxy to attend the EGM, A Shares Class Meeting and/or the H Shares Class Meeting shall complete and return the proxy forms issued on 3 April 2019 in accordance with the instructions printed thereon not less than 24 hours before the time fixed for holding the EGM or the A Shares Class Meeting or the H Shares Class Meeting or any adjournment(s) thereof (as the case may be). Completion and return of the proxy form will not preclude you from attending the EGM or the A Shares Class Meeting or the H Shares Class Meeting and voting in person if you so wish.

Since the proxy form for the EGM (the “**Old EGM Proxy Form**”) and the proxy form for the Class Meetings (the “**Old Class Meetings Proxy Form**”, together with the Old EGM Proxy Form, the “**Old Proxy Forms**”) sent together with the notices do not contain the revised resolutions as set out in the second supplemental notices of the EGM and Class Meetings dated 3 April 2019 to be approved at the EGM and the Class Meetings respectively, a new proxy form for the EGM (the “**New EGM Proxy Form**”) and new proxy forms for the Class Meetings (the “**New Class Meetings Proxy Form**”, together with the New EGM Proxy Form, the “**New Proxy Forms**”) have been prepared and were issued on 3 April 2019.

You are requested to complete and return the New Proxy Forms in relation to the EGM and H Shares Class Meeting in accordance with the instructions printed thereon to (1) Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (on or before 9 April 2019) or (2) Union Registrars

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Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong (on or after 10 April 2019), and the New Proxy Form in relation to the A Shares Class Meeting to the Company's Department of Securities Affairs by facsimile (at +86 931 875 3001) or by post to (or by depositing it at) 25–26th Floors, Block B, Shanghui Building of Gansu Province, No. 601, Yanyuan Road, Chengguan District, Lanzhou, Gansu, the PRC (the **"Company's Building"**) (contact person: Pan Lai, Tel: +86 931 875 3001, Fax: +86 931 875 3001), as soon as possible and in any event not later than 24 hours before the time appointed for holding the EGM and/or Class Meetings, respectively, or any adjournment thereof (the **"Closing Time"**).

A holder of H Shares and/or A Shares who has not yet lodged the Old Proxy Forms with the Company's H Share registrar and/or Company's Department of Securities Affairs or Company's Building, is requested to lodge the New Proxy Forms if he or she wishes to appoint proxies to attend the EGM and/or the Class Meetings on his or her behalf. In this case, the Old Proxy Forms should not be lodged with the Company's H Share registrar and/or Company's Department of Securities Affairs or Company's Building.

For holders of H Shares and/or A Shares who have already lodged the Old Proxy Forms with the Company's H Share registrar and/or Company's Department of Securities Affairs or Company's Building should note that:

- (i) **If the Old Proxy Forms are lodged with the Company's H Share registrar and/or Company's Department of Securities Affairs or Company's Building, the Old Proxy Forms will be treated as invalid.**

A holder of H Shares and/or A Shares is requested to lodge the New Proxy Forms if he or she wishes to appoint proxies to attend the EGM and/or the Class Meetings on his or her or its behalf.

- (ii) **If the New Proxy Forms are lodged with the Company's H Share registrar and/or Company's Department of Securities Affairs or Company's Building before Closing Time, the New Proxy Forms will revoke and supersede the Old Proxy Forms previously lodged by him or her or it. The New Proxy Forms will be treated as a valid proxy form lodged by the holder of H Shares and/or A Shares if correctly completed.**
- (iii) **If the New Proxy Forms is lodged with the Company's H Share registrar and/or Company's Department of Securities Affairs or Company's Building after the Closing Time, the New Proxy Forms will be invalid. However, it will revoke the Old Proxy Forms previously lodged by the holders of H Shares, and any vote that may be cast by the purported proxy (whether appointed under the Old Proxy Forms or the New Proxy Forms) will not be counted in any poll which may be taken on a proposed resolution. Accordingly, holders of H Shares and/or A Shares are advised not to lodge the New Proxy Forms after the Closing Time.**

Please note that Mr. Zhao Xinmin, an independent non-executive Director, has sent out the Independent Director's Proxy Forms in accordance with the relevant regulations of the PRC to solicit votes from the Shareholders on the special resolutions in respect of the Incentive Scheme and its related matters at the EGM, A Shares Class Meeting and H Shares Class Meeting. Should

LETTER FROM THE BOARD

you wish to appoint Mr. Zhao Xinmin as your proxy to vote for you and on your behalf at the EGM and/or the A Shares Class Meeting and/or the H Shares Class Meeting on the special resolutions regarding the Incentive Scheme and its related matters, please complete, sign and return the Independent Director's Proxy Forms to (i) in respect of H Shareholders, the H Share registrar of the Company, (1) Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (on or before 9 April 2019) or (2) Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong (on or after 10 April 2019), by hand or by post, (ii) in respect of A Shareholders, the Company's Department of Securities Affairs by facsimile (at +86 931 875 3001) or by post to (or by depositing it at) 25-26th Floors, Block B, Shanghui Building of Gansu Province, No. 601, Yanyuan Road, Chengguan District, Lanzhou, Gansu, the PRC (contact person: Pan Lai, Tel: +86 931 875 3001, Fax: +86 931 875 3001), no later than 24 hours before the time appointed for holding of the EGM and Class Meetings or any adjournment thereof.

Alternatively, if you wish to appoint any person other than Mr. Zhao Xinmin as your proxy to vote for you and on your behalf at the EGM and/or the A Shares Class Meeting and/or the H Share Class Meeting on the special resolutions regarding the Incentive Scheme and its related matters, you may simply disregard the Independent Director's Proxy Forms and complete and return the proxy forms instead. The report on the public solicitation of voting rights by the independent non-executive Directors prepared by Mr. Zhao Xinmin has also been set out in appendix IV to this Circular.

Please note that if you have completed and returned both the New EGM and/or A Shares Class Meeting and/or the H Shares Class Meeting Proxy Form and the Independent Director's Proxy Form, but have given inconsistent voting instructions on the resolutions concerned between the New EGM and/or A Shares Class Meeting and/or the H Shares Class Meeting and the Independent Director's Proxy Form, your voting instructions given in the Independent Director's Proxy Form will be counted as your vote for or against the proposed resolutions or abstain from voting on the proposed resolutions in relation to the Incentive Scheme.

The Incentive Participants and their respective associates who are the A Shareholders or H Shareholders will abstain from voting at the EGM, A Shares Class Meeting and/or H Shares Class Meeting because they have interests in the resolutions relating to the Incentive Scheme. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, save for Mr. Zhao Qinghua, none of the Shareholders is required to abstain from voting at the EGM, A Shares Class Meeting and H Shares Class Meeting.

VIII. CLOSURE OF REGISTER OF MEMBERS OF H SHARES

The register of members of H Shares will be closed from Tuesday, 23 April 2019 to Thursday, 23 May 2019 (both days inclusive), during which no transfer of H Shares will be registered for the identification of Shareholders qualified to attend and vote at the EGM and the H Shares Class Meeting. The share transfer documents accompanied by relevant H Share certificates should be lodged with Computershare Hong Kong Investor Services Limited (or Union Registrars Limited with effect from 10 April 2019) in any event not later than 4:30 p.m. on Thursday, 18 April 2019. Shareholders or their agents whose names appear on the register of members of the H Shares at the close of business on Thursday, 18 April 2019 are entitled to attend and vote at the EGM and the H Shares Class Meeting. The address of the Company's H share registrar, (1) Computershare Hong Kong Investor Services Limited, is at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong (on or before 9 April 2019) or (2) Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong (on or after 10 April 2019).

LETTER FROM THE BOARD

IX. RECOMMENDATION

Having considered the suggestions made by the Independent Financial Adviser in relation to the issuance, subscription and Restricted Incentive Scheme of A Shares, the terms of the Incentive Scheme and the grant to connected persons under the First Grant pursuant to the Incentive Scheme and other information contained in the Circular, the Directors (the independent non-executive directors inclusive) consider that the relevant resolutions are in the interests of the Company and the Shareholders as a whole. As such, the Directors suggest all the independent Shareholders vote for the proposed resolutions in the second supplemental notice of the EGM in 2019 and the second supplemental notice of class meeting of holders of H Shares.

The Board proposed to seek the Shareholders' approval at the EGM and Class Meetings a resolution for the adoption of the Incentive Scheme, including the First Grant and the Reserved Grants (under the situation where the Reserved Grants do not constitute to connected transaction pursuant to the Listing Rules) under specific mandate.

Under the First Grant, certain Participants are the directors or the chief executive officers of the Company and certain subsidiaries of the Company (see Table B on page 31 in this circular) and hence a connected person of the Company. The grant of Restricted A Shares to connected person (including connected person at subsidiary level) of the Company constitutes non-exempt connected transactions of the Company, which is subject to reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Also, the subsequent grant of reserved Restricted A Shares, including the Reserved Grant, under the Incentive Scheme may involve a connected person (including connected person at subsidiary level) of the Company and in such a case, will constitute a non-exempt connected transaction of the Company which is subject to reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. In the event that the subsequent grant under the Incentive Scheme, including the Reserved Grant, constitutes a connected transaction of the Company, the Company will comply with all the applicable requirements of the Listing Rules in due course, including but not limited to, issuing announcement and/or circular setting out the information of such subsequent grant and seeking a separate independent shareholders' approval for such subsequent grant. The subsequent grant of reserved Restricted A Shares under the Incentive Scheme shall comply with the Listing Rules including the Model Code.

As at the Latest Practicable Date, save for Zhao Qinghua who holds 300,000 H Shares in the Company (representing approximately 0.16% of the total issued share capital of the Company), all of the other connected persons as stated in Table B of page 31 do not hold any Shares of the Company, hence (save for Zhao Qinghua) they are not required to abstain from voting for the shareholder resolutions relating to the Restricted A Shares Incentive Scheme and the grant to the connected persons under the First Grant pursuant to the Shares Incentive Scheme at the EGM and the Class Meetings. Those Participants who hold any Shares of the Company will abstain from voting at the EGM and the Class Meetings.

LETTER FROM THE BOARD

Each of the Directors who are Incentive Participants under the Incentive Scheme, namely Wang Guofu, Chen Yuhai and Zhang Qianyu, has or may be regarded as having a material interest in the Incentive Scheme, and each of them had abstained from voting on the relevant board resolutions of the Company.

X. VOTING BY POLL

All the resolutions set out in the second supplemental notices of the EGM and the H Shares Class Meeting would be decided by poll in accordance with the Listing Rules and the articles of association of the Company.

On a poll, every Shareholder present in person (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy shall have one vote for every fully paid Share held. A Shareholder present in person (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy who is entitled to more than one vote need not use all his/its votes or cast all his/its votes in the same way.

After the conclusion of the meetings, the poll results will be published on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the website of the Company at www.lzzhuangyuan.com.

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 purposes only



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)

24 April 2019

To the Independent Shareholders

Dear Sir or Madam,

**(1) PROPOSED ADOPTION OF THE 2019 RESTRICTED A SHARE
INCENTIVE SCHEME
AND
(2) CONNECTED TRANSACTION – PROPOSED GRANT UNDER
INCENTIVE SCHEME**

We have been appointed to form the Independent Board Committee to consider and advise the independent Shareholders in accordance with the Listing Rules as to our opinion on, the terms of the Restricted A Shares Incentive Scheme, the Assessment Management Measures and the proposed granting of the authorization to the Board in handling the related matters, details of which are set out in the circular issued by the Company to the Shareholders dated 24 April 2019 (the “Circular”), of which this letter forms part. Terms used herein shall have the same meanings as defined in the Circular unless the context otherwise requires.

We wish to draw the attention of the independent Shareholders to the letter from the Board and the letter of advice from Giraffe Capital Limited, the Independent Financial Adviser, set out on pages IFA-1 to IFA-30 of the Circular.

Having taken into account the principal factors and reasons considered by the Independent Financial Adviser, its conclusion and advice, we concur with the view of the Independent Financial Adviser and consider that the terms of Restricted A Shares Incentive Scheme, the Assessment Management Measures, the proposed granting of the authorization to the Board in handling the related matters and the grant of Restricted A Shares to executive Directors and other connected person grantees under the First Grant are fair and reasonable, are on normal commercial terms or better and are in the interests of the Company and the Shareholders as a whole.

* For identification purpose only

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Accordingly, we recommend the independent Shareholders to vote in favor of the resolutions to be proposed at the Meetings to approve Restricted A Shares Incentive Scheme, the Assessment Management Measures and the proposed granting of the authorization to the Board in handling the related matters.

Yours faithfully,

Independent Board Committee of
Lanzhou Zhuangyuan Pasture Co., Ltd.*
蘭州莊園牧場股份有限公司

Independent Non-executive Directors

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

* For identification purpose only

LETTER FROM INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter received from Giraffe Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders prepared for the purpose of inclusion in this circular.



24 April 2019

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

CONNECTED TRANSACTION PROPOSED GRANT UNDER THE INCENTIVE SCHEME

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the proposed grant of the Restricted A Share to Participants who are connected persons of the Company under the Incentive Scheme, details of which are set out in the letter from the Board (the “**Letter from the Board**”) in the circular issued by the Company to the Shareholders dated 24 April 2019 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular and the Appendices to the Circular, unless the context otherwise requires.

Our role as Independent Financial Adviser is to give our opinion as to whether the terms of the grant and issuance of the Restricted A Shares to certain Participants who are directors and/or senior management and/or middle management and/or core technical (business) personnel of the Company and/or its subsidiaries are in the interests of the Company, on normal commercial terms, are fair and reasonable insofar as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders on whether (i) the terms of the Incentive Scheme and the proposed grant to the connected persons under the First Grant pursuant to the Incentive Scheme are fair and reasonable, are on normal commercial terms and are in the interests of the Company and the Shareholders as a whole; and (ii) how the Independent Shareholders should vote in respect of the resolutions to approve the Incentive Scheme and the proposed grant to the connected persons under the First Grant pursuant to the Incentive Scheme at the EGM and the Class Meetings. We have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in the same regard.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

OUR INDEPENDENCE

As at the Latest Practicable Date, we were independent from and not connected with the Group in accordance with Rule 13.84 of the Listing Rules, and accordingly, are qualified to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders. Save for our appointment as the Independent Financial Adviser, there was no engagement between the Group and us in the past two years.

Besides, apart from the advisory fee and expenses payable to us in connection with our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, no arrangement exists whereby we shall receive any other fees or benefits from the Company.

BASIS OF OUR OPINION

In formulating our opinion and recommendation, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information, opinions and representations provided to us by the Group and/or its management and/or the Directors. We have assumed that all such statements, information, opinions and representations contained or referred to in the Circular and the information, opinions and representations provided to us by the Group and/or its management and/or the Directors were true and accurate at the time when they were made and continue to be true up to the Latest Practicable Date. We have no reason to believe that any statements, information, opinions and representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the information provided and the representations made to us untrue, inaccurate or misleading.

The Directors collectively and individually accept full responsibility, including particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries and careful consideration, confirm that to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have reviewed sufficient information to reach an informed view, to justify our reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our advice. We have no reason to suspect that any material facts have been omitted or withheld from the information contained or opinions expressed in the Circular nor to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors. We have not, however, conducted an independent in-depth investigation into the business and affairs of the Group nor have we carried out any independent verification of the information supplied.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation with regard to the Acquisition, we have taken into account the following principal factors and reasons:

1. Background on the Group

The Group principally operates two business segments: (i) dairy farming business, under which produced and sold raw milk and (ii) dairy products production business, under which produced and sold dairy products.

Set out below is the summarized consolidated financial information of the Group as extracted from the Group's annual report for the year ended 31 December 2018.

	For the year ended 31 December	
	2018	2017
	RMB'000	RMB'000
	(audited)	(audited)
Operating income from principal activities		
<i>Sales of goods</i>		
– Liquid milk products	627,291	583,833
– Milk beverage	1,347	3,116
– Other dairy products	3,106	5,214
	631,744	592,163
<i>Other operating income (Note)</i>	25,988	36,211
	657,732	628,374
Profit before taxation	65,185	71,056
Net profit for the year	63,533	68,352

Note: Other operating income mainly includes sales of feed

As illustrated in the table above, the Group's operating income increased by approximately 4.8% as compared to the year ended 31 December 2017. The Group's net profit decreased from approximately RMB68.4 million for the year ended 31 December 2017 to approximately RMB63.5 million for the year ended 31 December 2018. The decrease in net profit was primarily due to the decrease in gain from change in fair value in relation to bearer biological assets.

The Company's H Shares have been listed on Stock Exchange since 15 October 2015 and it's A Shares have been listed on Shenzhen Stock Exchange since 31 October 2017.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

2. Reasons for the adoption of the Incentive Scheme

As set out in the Letter from the Board, the Incentive Scheme is to establish and improve the long-term incentives mechanism of the Company, fully motivate the Directors, senior and middle management and core technical (business) personnel of the Company, effectively combine the interests of the shareholders, the Company and members of core teams and promote the sustainable, stable and rapid development of the Company. The purpose of the Incentive Scheme is also to attract and retain excellent management, business and technical talent to meet the huge demands for core technical (business) talent and management talent of the Company and establish the Company's advantages in human resources, thus further promoting the innovation of the Company and injecting new vitality into the sustainable and rapid development of the Company.

3. Basis for determining the Participants and the scope of Participants of the Incentive Scheme

(i) *Basis for determining the Participants*

As set out in the Incentive Scheme, the Participants of the Incentive Scheme are determined in accordance with the Company Law, the Securities Law, the Administrative Measures, the Listing Rules and other relevant laws, regulations and regulatory documents and the relevant provisions of the Articles of Association, together with the Company's actual situations. The Participants of the Incentive Scheme shall be nominated by the Remuneration and Assessment Committee of the Board of the Company and verified by the Supervisory Committee of the Company.

According to the Management Measures, the following personnel shall not participate in the Incentive Scheme:

- (1) being subject to any identification as ineligible personnel by a stock exchange in the last 12 months;
- (2) being subject to any identification as ineligible personnel by the CSRC and its resident agencies in the last 12 months;
- (3) being imposed with administrative penalties or measures prohibiting the Incentive Participants from entering into the market by the CSRC and its resident agencies in the last 12 months due to material non-compliance of laws or regulations;
- (4) being prohibited from acting as a director and a member of the senior management of the Company pursuant to the Company Law;
- (5) being not allowed by the laws and regulations to participate in share incentive schemes of a listed company;
- (6) any other circumstances as determined by the CSRC.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

In case any Participant has any of the circumstances specified above, the Company will terminate its right to participate in the Incentive Scheme, and the Restricted Shares that have been granted to the Incentive Participant under the Incentive Scheme but have not been unlocked shall be repurchased and cancelled by the Company.

(ii) Scope of the Participants

As set out in the Letter from the Board, there is a total of 100 Participants for the First Grant under the Incentive Scheme, of which 5 are Directors and senior management, 11 are middle management, and 84 are core technical (business) personnel. All the Participants must hold office in the Company or its wholly-owned subsidiaries and have entered into labor contracts or employment contracts with them when the Company grants the Restricted Shares and during the assessment period of the Incentive Scheme.

Participants for the Reserved Grant shall be determined within 12 months from the date on which the Incentive Scheme is considered and passed at the general meeting. Following the proposals from the Board, issue of clear opinions by the independent Directors and the supervisory committee as well as issue of professional opinions and legal opinions by the legal adviser, the Company shall promptly and accurately disclose the relevant information on such Participants on the designated website pursuant to the relevant requirements. The reserved entitlements shall become invalid where the Participants for the Reserved Grant are not determined after 12 months from the aforesaid date. The determination of the Participants for the Reserved Grant shall be determined by reference to the criteria for the First Grant.

As stated in the Letter from the Board, the Participants of the Incentive Scheme are the Directors, senior and middle management and core technical (business) personnel of the Company who will have a direct impact on the operating results and development of the Company in the future and who, in the opinion of the Board, need to be incentivised. They are the main forces for the implementation of the Company's strategies and operation. The grant of the Restricted Shares to such personnel not only fully takes into account the representativeness and demonstration effect of such Participants, but is also conducive to establishing a benefit sharing and constraint mechanism between the Shareholders and the abovementioned personnel. This will enhance the senses of responsibility and mission of the employees to achieve the sustainable, stable and healthy development of the Company, and effectively improve their cohesiveness and creativity, which will be beneficial to realize the development strategies and operation plans of the Company.

4. The Validity Period, the Date of Grant, the locking period and the lock-up arrangement of the Incentive Scheme

(i) Validity Period of the Incentive Scheme

The Validity Period of the Incentive Scheme shall commence on the date of the registration of the Restricted Shares and end on the date of unlocking all the Restricted Shares to be granted to the Participants or the repurchase and cancellation of such Shares, which shall not exceed 54 months.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

(ii) *Date of Grant*

The Date of Grant shall be determined by the Board after the Incentive Scheme is considered and passed at the general meeting of the Company, and must be a trading day. In accordance with the Management Measures and the Memorandum No. 4 Concerning Information Disclosure on Small and Medium-sized Enterprises Board: Equity Incentive (《中小企業板信息披露業務備忘錄第4號：股權激勵》), the Company shall grant the restricted shares and complete the announcement and registration procedures within 60 days from the date on which the Incentive Scheme is considered and passed at the general meeting of the Company, failing which the Company shall disclose the reasons for the failure and announce termination of the Incentive Scheme and the restricted shares which have not been granted will lapse. Part of the reserved Restricted Shares will be granted within 12 months from the date on which the Incentive Scheme is considered and passed at the general meeting of the Company. The date of announcement on Board resolution in relation to reservation of shares and consideration of the grant of the Restricted Shares shall be the date of grant.

In case of shareholding reduction by the Company's Directors and senior management as the Incentive Participants within 6 months before the grant of Restricted Shares, the grant of Restricted Shares shall be postponed for six months from the date of the last shareholding reduction in accordance with the short-swing trading provisions under the Securities Law. The date of grant will comply with the Listing Rules including the Model Code. Upon determination of the date of grant, further announcement(s) will be made by the Company regarding the relevant details as and when appropriate.

(iii) *Locking of the Incentive Scheme*

The locking period (限售期) for the restricted shares granted under the Incentive Scheme to Incentive Participants (including connected persons of the Company or connected persons at subsidiary level) shall be 18 months, 30 months and 42 months from the date of registration of the grant. The restricted shares granted to the Incentive Participants under the Incentive Scheme shall not be transferred or assigned or used as guarantee or for repayment of debts. The shares and dividends obtained by the Incentive Participants due to the grant of the restricted shares not yet unlocked to them arising from capitalisation issue, distribution of dividends, bonus issue, share sub-division, etc. shall be subject to locking in accordance with the Incentive Scheme.

Upon unlocking, the Company shall proceed with the unlocking for the Incentive Participants who satisfy unlocking conditions, and the restricted shares held by Incentive Participants who do not satisfy the unlocking conditions shall be repurchased and cancelled by the Company.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

The unlocking period and unlocking schedule for the restricted shares under the First Grant of the Incentive Scheme are shown in the table below:

Unlocking arrangement	Unlocking time	Unlocking proportion
First unlocking period for the restricted shares under the First Grant	Commencing on the first trading day after expiry of the 18-month period from the record date and ending on the last trading day of the 30-month period from the record date	30%
Second unlocking period for the restricted shares under the First Grant	Commencing on the first trading day after expiry of the 30-month period from the record date and ending on the last trading day of the 42-month period from the record date	30%
Third unlocking period for the restricted shares under the First Grant	Commencing on the first trading day after expiry of the 42-month period from the record date and ending on the last trading day of the 54-month period from the record date	40%

For the restricted shares subject to reserved grant under the Incentive Scheme, upon the expiry of 18 months from the grant date, if the unlocking conditions are satisfied, the Incentive Participants can apply for unlocking in two installments at the proportion of 50% and 50% within the unlocking period. Details are as follows:

Unlocking arrangement	Unlocking time	Unlocking proportion
First unlocking period for the restricted shares reserved	Commencing on the first trading day after expiry of the 18-month period from the record date and ending on the last trading day of the 30-month period from the record date	50%
Second unlocking period for the restricted shares reserved	Commencing on the first trading day after expiry of the 30-month period from the record date and ending on the last trading day of the 42-month period from the record date	50%

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During the unlocking period, if the unlocking conditions are satisfied in the current period, the Incentive Participants may apply to unlock the corresponding proportion of the restricted shares. The shares for which the unlocking is not applied as scheduled will no longer be unlocked and shall be repurchased and cancelled by the Company. If any installment does not meet the unlocking conditions in unlocking period, the restricted shares that can be unlocked in the current period shall not be unlocked and shall be repurchased and cancelled by the Company.

(iv) Lock-up period

The lock-up period (禁售期) refers to the period of time during which the restricted shares granted to the Incentive Participants is unlocked but shall not be sold. The lock-up arrangement under the Incentive Scheme shall be implemented in accordance with the requirements of the Company Law, the Securities Law and the relevant laws, regulations and regulatory documents as well as the Articles of Association. Specific contents are as follows:

- Where an Incentive Participant is a director or a member of the senior management of the Company, the number of shares of the Company which may be transferred by the Incentive Participant each year during his term of office shall not exceed 25% of the total number of the shares of the Company held by him. No shares of the Company held by him shall be transferred within six months after his termination of office;
- Where an Incentive Participant is a director or a member of the senior management of the Company and he/she disposes of any shares of the company within six months after acquisition or buys back such shares within six months after disposal, all gains arising therefrom shall be accounted to the Company and the Board will collect all such gains;
- Shareholding reduction by an Incentive Participant shall be in compliance with relevant requirements including the Several Provisions on Shareholding Reduction 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》) and the Implementation Rules for Shareholding Reduction by Shareholders, Directors, Supervisors and Senior Management of Listed Companies on Shenzhen Stock Exchange (《深圳證券交易所上市公司股東及董事、監事、高級管理人員減持實施細則》), the Listing Rules (including the Model Code) and the relevant securities law in Hong Kong;
- If, during the Validity Period of the Incentive Scheme, there is any amendment to the requirements regarding transfer of shares by a director and a member of the senior management of the Company under the Company Law, the Securities Law and other relevant laws, regulations, regulatory documents and the Articles of Association, such amended requirements thereunder shall apply to the shares transferred by the Incentive Participants during the relevant times.

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5. Adjustment mechanism for the Incentive Scheme

During the period from the date of announcement on the Incentive Scheme to the completion of registration of the Restricted Shares by the Incentive Participants, adjustments to the number and the grant price of the Restricted Shares shall be made under certain events. The following table summarises such adjustment mechanism, the details of which are set out in the Letter from the Board in the Circular.

Event	Adjustment to the number of the Restricted Shares	Adjustment to the grant price of the Restricted Shares
Capitalisation issue, bonus issue and sub-division of share capital	$Q=Q_0 \times (1+n)$	$P=P_0/(1+n)$
Rights issue	$Q=Q_0 \times P_1 \times (1+n) \div (P_1 + P_2 \times n)$	$P=P_0 \times (P_1 + P_2 \times n) \div [P_1 \times (1+n)]$
Share consolidation	$Q=Q_0 \times n$	$P=P_0 \div n$
Dividend distribution	No adjustment	$P=P_0 - V$; and $P > 1$
New issue of shares	No adjustment	No adjustment

Notes:

P represents the adjusted grant price.

P_0 represents the grant price before the adjustment.

P_1 represents the closing price as at the record date.

P_2 represents the price of the rights issue.

Q represents the adjusted number of Restricted Shares.

Q_0 represents the number of Restricted Shares before the adjustment.

V represents the dividend per Share.

n represents, as the case may be, (i) the ratio of increase per Share resulting from the issue of Shares by conversion of capital reserve, bonus issue and sub-division of Shares to each Share; (ii) the ratio of the rights issue; or (iii) the ratio of consolidation of Shares.

The Board of the Company shall pass a resolution for adjusting the number and the grant price of Restricted Shares upon occurrence of any of the abovementioned circumstances. The Company shall engage a legal adviser to give professional advice to the Board on whether such adjustment is in compliance with the Management Measures, the Listing Rules, the Articles of Association and the Incentive Scheme. After the resolution for above-mentioned adjustment is considered and passed by the Board, the Company shall disclose an announcement on the resolution by the Board timely, and announce the opinions of the legal adviser. The adjustment to the quantity, price or other terms due to other reasons shall be subject to resolution of the Board of the Company and consideration and approval at the general meeting.

6. Proposed Grant under the Incentive Scheme

(i) *Number of underlying Shares in relation to the Restricted Shares under the Proposed Grant*

The total number of the Restricted Shares that may be granted under the Incentive Scheme shall be 4,792,800 Shares, representing 2.56% of the Company's total share capital of 187,340,000 Shares as at the Latest Practicable Date, of which 4,192,800 Shares will be granted under the First Grant, representing 2.24% of the Company's total share capital of 187,340,000 Shares as at the Latest Practicable Date and 87.48% of the total equity of this grant; and 600,000 Shares will be reserved, representing 0.32% of the Company's total share capital of 187,340,000 Shares as at the Latest Practicable Date and 12.52% of the total equity of this grant.

After the implementation of the Incentive Scheme, the total equity to be granted under the Incentive Scheme during the Validity Period will not exceed 10% of the Company's total share capital as required by the CSRC, and the total Shares to be granted under the Incentive Scheme to any one of the Participant will not exceed 1.00% of the Company's total share capital as at the date of the proposal of the Incentive Scheme at the general meeting for consideration.

As at the Latest Practicable Date, the Company does not have any plans to grant further Restricted Shares, in addition to the proposed 4,792,800 Restricted Shares, within the limit of 10% of the Company's total share capital. In the event that the Company decides to grant additional Restricted Shares within the limit of 10% of the Company's total share capital, such grant will comply with the requirements under the Stock Exchange and the Shenzhen Stock Exchange, and further announcement(s) will be made by the Company regarding such grant as and when appropriate.

(ii) *Grant price and basis of determination*

The grant price of the Restricted Shares under First Grant shall be RMB6.96 per share. Upon fulfillment of grant conditions, each Participant is entitled to acquire A Share newly issued to the Participants by the Company at the price of RMB6.96 per share.

According to the Incentive Scheme, the grant price of the Restricted Shares under First Grant shall not be lower than the carrying amount of the Shares, and not lower than the higher of the followings:

- (1) 50% of the average trading prices of the A Shares on the trading day preceding the date of the Supplemental Announcement of the Incentive Scheme (the total trading amount of A Shares on the previous trading day/total volume of the A Shares traded on the previous trading day, i.e. RMB13.91 per A share), i.e. RMB6.96 per A share; and

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- (2) 50% of the average trading prices of the A Shares for the last 20 trading days preceding the date of the Supplemental Announcement of the Incentive Scheme (the total trading amount of A Shares for the last 20 trading days/total volume of the A Shares traded on the last 20 trading days, i.e. RMB12.97 per A share), i.e. RMB6.49 per A share.

The above Grant Price has been adjusted downward from RMB8.60 per Share as announced in 28 September 2018 to RMB6.96 per Share at the Board meeting of the Company on 11 March 2019, as a result of the downward movement of the A Share price of the Company since October 2018 and up to early March 2019. The Directors consider that the downward adjustment of the Grant Price will be more reflective to the recent share price of the Company, and the updated Grant Price, representing 50% the average trading prices of the A Shares of the Company on the trading day preceding the date of the announcement of the Board resolution of granting the reserved Restricted Shares (i.e., 11 March 2019), is able to serve the purpose of incentivizing the Participants). The Company confirms that there will be not any further change of the Grant Price after the publication of this circular.

The grant of the reserved Restricted Shares is subject to the consideration and approval of related resolution by the Board and the announcement disclosing related situation. The grant price of the reserved Restricted Shares shall not be lower than the carrying amount of the A Shares, and not lower than the higher of the followings:

- (1) 50% of the average trading prices of the A Shares of the Company on the trading day preceding the date of the announcement of the Board resolution of granting the reserved Restricted Shares; and
- (2) 50% of the average trading prices of the A Shares for the last 20 trading days preceding the date of the announcement of the Board resolution of granting the reserved Restricted Shares.

As stated in the Letter from the Board, in the event that the Participant fails to pay the grant price as required, no Restricted Shares will be granted to such Participant and his/her entitlements to the Restricted Shares shall be forfeited.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

(iii) Allocation of the Restricted Shares under the First Grant

The total number of proposed Participants for the First Grant of Restricted Shares under the Incentive Scheme is 100. The proposed Participants of the Incentive Scheme include existing Directors (if any), senior management, middle management, core technical (business) personnel of the Company during implementation of the Incentive Scheme. Details of the allocation of the Proposed Grant under the Incentive Scheme are as follows:

Name	Position	Number of Restricted Shares to be Granted (0'000 shares)	Approximate percentage to the total number of Restricted Shares to be Granted (including the Reserved Grant)	Approximate percentage to the total number of Shares in issue as at the date of the announcement on the scheme
Directors and senior management				
Wang Guofu*	Vice chairman of the Board, Executive Director, financial controller	48.30	10.08%	0.26%
Chen Yuhai*	Executive Director, general manager	48.30	10.08%	0.26%
Zhang Qianyu*	Executive Director, secretary to the Board	10.80	2.25%	0.06%
Ma Tianliang	Deputy general manager	26.25	5.48%	0.14%
Li Baozhu	Deputy general manager	19.25	4.02%	0.10%
Others personnel				
Middle management (11 people)		133.77	27.91%	0.71%
Among which:				
Ding Jianping*	Chief executive officer of a subsidiary of the Company	48.30	10.08%	0.26%
Zhao Qinghua*	Director of a subsidiary of the Company	10.64	2.22%	0.06%
Core technical (business) employees (84 people)		132.61	27.67%	0.71%
Reserved Grant		60.00	12.52%	0.32%
Total (100 people)		479.28	100.00%	2.56%

* connected persons of the Company

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As Wang Guofu, Chen Yuhai, Zhang Qianyu, Ma Tianliang and Li Baozhu do not hold any Shares of the Company, they are not required to abstain from voting for the shareholder resolutions relating to the Incentive Scheme and the grant to the connected persons under the First Grant pursuant to the Incentive Scheme.

(iv) *Biographical details of each of the connected grantees*

- (1) Mr. Wang Guofu is responsible for the overall financial management and control of the Company. He has more than 20 years of experience in the food industry. He joined the Group in 2001 and served as chief financial officer, deputy general manager and secretary of the board of directors. He is currently the vice chairman of the Board and concurrently the financial controller of the Company.
- (2) Mr. Chen Yuhai is responsible for overall work of the project development department. He has more than 20 years of experience in the dairy industry. He joined the Group in April 2008 and served as project manager, deputy general manager. He is currently the general manager of the Company.
- (3) Ms. Zhang Qianyu, joint company secretary and secretary of the Board of the Company, is responsible for system establishment, plans administration and equity management.
- (4) Mr. Ding Jianping has more than 16 years of experience in dairy industry and enterprise management. He served as marketing director and operating directors of Lanzhou Zhuangyuan Dairy Company Limited from August 2007 to September 2010. He served as general manager of Dongfang Dairy from October 2010 to November 2018. Mr. Ding currently is the chairman and general manager of Dongfang Dairy, a wholly owned subsidiary of the Company.
- (5) Mr. Zhao Qinghua has more than 30 years of experience in financing practice. He served as project manager of Qinghaihu Dairy from 2009 to 2011. He has served as director of audit department of the Company since 2011. Mr. Zhao is currently the operating center directors of the Company, and is responsible for the operation and management of the Company and subsidiaries. Besides, he is also the executive director of Gansu Ruijia Animal Husbandry Co., Ltd., a subsidiary of the Company.

As set out in the Letter from the Board, the Participants of the Incentive Scheme are the Directors, senior and middle management and core technical (business) personnel of the Company who will have a direct impact on the operating results and development of the Company in the future and who, in the opinion of the Board, need to be incentivised. They are the main forces for the implementation of the Company's strategies and operation. The grant of the Restricted Shares to such personnel will enhance the senses of responsibility and mission of the employees to achieve the sustainable, stable and healthy development of the Company, and effectively improve their cohesiveness and creativity, which will be beneficial to realize the development strategies and operation plans of the Company.

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We understand from the management of the Company that (i) each of the connected grantees plays a significant role in leading and/ or managing the Group; (ii) the expected future contribution of the Participants to the Group's business operation and development is one of the principal factors considered by the Company in determining the number of Restricted Shares to be granted; (iii) the grant of the Restricted Shares in respect of each Participants has been reviewed and approved by the remuneration committee of the Company in accordance with its terms of reference; and (iv) the terms of Incentive Scheme apply to all Participants and connected grantees do not enjoy privilege over non-connected grantees. We consider that the grant of the Restricted Shares will align the interests of the Participants with the Company together with the Shareholders as well as further motivate the Participants to devote their efforts to the Group's development, which we consider crucial and beneficial to the long-term development of the Group.

Having considered the above, we are of the view that the proposed grant to the connected persons under the First Grant pursuant to the Incentive Scheme is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

7. Assessment in relation to the terms of the Incentive Scheme

The equity incentive plan implemented by an A-share listed company must comply with the requirements of the Administrative Measures on Share Incentives of Listed Company (the “**Administrative Measures**”) (《上市公司股權激勵管理辦法》) issued by the China Securities Regulatory Commission. In formulating our view on the terms of the Incentive Scheme, we have reviewed comparable incentive schemes of the companies listed on the Shenzhen Stock Exchange which (i) involved the issue of restricted A shares; (ii) were proposed during the period from 1 August 2018 to 31 January 2019; and (iii) were approved by shareholders during the period from 1 August 2018 to 31 January 2019 (the “**Comparable Schemes**”). Equity incentive schemes of Hong Kong listed companies which are not A-share listed are not considered to be Comparable Schemes because such schemes are not required to comply with the Administrative Measures. To the best of our knowledge and as far as we are aware of, we identified 83 Comparable Schemes which met the said criteria and they are exhaustive. Shareholders should note that the businesses, operations and prospects of the Company are not the same as the subject companies of the Comparable Schemes and we have not conducted any in-depth investigation into such respect.

Date of announcement	Stock code	Company name	Percentage of the grant price to the average stock price for the shares being granted under restricted A share incentive schemes	Proportion of shares unlocked during the first 12 months of the unlocking period	Proportion of shares unlocked during the second 12 months of the unlocking period	Proportion of shares unlocked during the third 12 months of the unlocking period	Proportion of shares unlocked during the fourth 12 months of the unlocking period	Lock-up period arrangement
1-Aug-18	000818	Hangjin Technology Co., Ltd.	50%	40%	40%	20%	–	Yes
3-Aug-18	002860	Hangzhou Star Shuaier Electric Appliance Co., Ltd.	50%	30%	30%	40%	–	Yes

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Date of announcement	Stock code	Company name	Percentage of the grant price to the average stock price for the shares being granted under restricted A share incentive schemes	Proportion of shares unlocked during the first 12 months of the unlocking period	Proportion of shares unlocked during the second 12 months of the unlocking period	Proportion of shares unlocked during the third 12 months of the unlocking period	Proportion of shares unlocked during the fourth 12 months of the unlocking period	Lock-up period arrangement
3-Aug-18	300485	Beijing Science Sun Pharmaceutical Co.,LTD.	50%	40%	30%	30%	—	Yes
4-Aug-18	002035	Vatti Corporation Limited	50%	30%	30%	40%	—	Yes
7-Aug-18	300648	Fujian Nebula Electronics Co., Ltd.	50%	30%	30%	40%	—	Yes
10-Aug-18	002050	Zhejiang Sanhua Intelligent Controls Co., Ltd.	50%	30%	30%	40%	—	Yes
15-Aug-18	002424	Guizhou Bailing Group Pharmaceutical Co., Ltd.	50%	20%	40%	40%	—	Yes
16-Aug-18	002293	Luolai Lifestyle Technology Co., Ltd.	50%	40%	30%	30%	—	Yes
18-Aug-18	002845	Shenzhen TXD Technology Co., Ltd.	50%	25%	25%	25%	25%	Yes
18-Aug-18	300384	Beijing Sanlian Hope Shin-Gosen Technical Service Co., Ltd.	50%	30%	30%	40%	—	Yes
22-Aug-18	300273	Zhuhai Hokai Medical Instruments Co., Ltd.	50%	30%	30%	40%	—	Yes
24-Aug-18	002871	Qingdao Weflo Valve Co., Ltd.	50%	30%	30%	40%	—	Yes
24-Aug-18	300470	Sichuan Sunny Seal Co., Ltd.	50%	33%	33%	34%	—	Yes
24-Aug-18	300588	Xinjiang Sailing Information Technology Co., Ltd	50%	40%	30%	30%	—	Yes
27-Aug-18	300394	Suzhou TFC Optical Communication Co., Ltd.	50%	30%	30%	40%	—	Yes
28-Aug-18	300515	Hunan Sundry Science and Technology Co., Ltd	50%	30%	30%	40%	—	Yes
29-Aug-18	002236	Zhejiang Dahua Technology Co., Ltd.	50%	40%	30%	30%	—	Yes
29-Aug-18	002819	Beijing Oriental Jicheng Co., Ltd	50%	33%	33%	34%	—	Yes
30-Aug-18	002734	Limin Chemical Co., Ltd.	50%	30%	30%	40%	—	Yes

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Date of announcement	Stock code	Company name	Percentage of the grant price to the average stock price for the shares being granted under restricted A share incentive schemes	Proportion of shares unlocked during the first 12 months of the unlocking period	Proportion of shares unlocked during the second 12 months of the unlocking period	Proportion of shares unlocked during the third 12 months of the unlocking period	Proportion of shares unlocked during the fourth 12 months of the unlocking period	Lock-up period arrangement
31-Aug-18	002157	Jiangxi Zhengbang Technology Co., Ltd.	50%	50%	50%	—	—	Yes
31-Aug-18	300638	Fibocom Wireless Inc.	50%	30%	30%	40%	—	Yes
3-Sep-18	002849	Zhejiang Viewshine Intelligent Meter Co.,Ltd.	50%	40%	30%	30%	—	Yes
5-Sep-18	002600	Lingyi Itech (Guangdong) Company	50%	25%	25%	25%	25%	Yes
6-Sep-18	300590	Queclink Wireless Solutions Co., Ltd.	50%	40%	30%	30%	—	Yes
8-Sep-18	300628	Yealink Network Technology Corporation Limited	50%	40%	30%	30%	—	Yes
10-Sep-18	300573	Shenyang Xingqi Pharmaceutical Co., Ltd.	50%	30%	40%	30%	—	Yes
11-Sep-18	300319	Shenzhen Microgate Technology Co., Ltd	50%	30%	25%	30%	15%	Yes
21-Sep-18	002859	Zhejiang Jiemei Electronic And Technology Co., Ltd.	50%	40%	30%	30%	—	Yes
25-Sep-18	300562	Guangdong Transtek Medical Electronics Co Ltd	50%	40%	30%	30%	—	Yes
26-Sep-18	000997	Newland Digital Technology Co Ltd	50%	30%	30%	40%	—	Yes
26-Sep-18	300699	Weihai Guangwei Composites Co Ltd	50%	40%	30%	30%	—	Yes
28-Sep-18	002717	LingNan Eco&Culture-Tourism Co Ltd	50%	30%	30%	40%	—	Yes
29-Sep-18	000611	Inner Mongolia TianShou Tech & Dev Co	50%	40%	30%	30%	—	Yes
29-Sep-18	002901	Double Medical Technology Inc.	50%	30%	30%	40%	—	Yes
8-Oct-18	002587	Shenzhen AOTO Electronics Co Ltd	50%	20%	40%	40%	—	Yes
8-Oct-18	300453	Jiangxi Sanxin Medtec Co Ltd	50%	30%	30%	40%	—	Yes
8-Oct-18	300631	Jiangsu Jiuwu Hitech Co Ltd	50%	40%	30%	30%	—	Yes

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Date of announcement	Stock code	Company name	Percentage of the grant price to the average stock price for the shares being granted under restricted A share incentive schemes	Proportion of shares unlocked during the first 12 months of the unlocking period	Proportion of shares unlocked during the second 12 months of the unlocking period	Proportion of shares unlocked during the third 12 months of the unlocking period	Proportion of shares unlocked during the fourth 12 months of the unlocking period	Lock-up period arrangement
10-Oct-18	002410	Glodon Co Ltd	50%	40%	30%	30%	–	Yes
12-Oct-18	002537	HyUnion Holding Co Ltd	50%	40%	30%	30%	–	Yes
18-Oct-18	002835	Shenzhen TVT Digital Technology Co Ltd	50%	30%	30%	40%	–	Yes
20-Oct-18	300640	Profit Cultural and Creative Group Co Ltd	50%	35%	35%	30%	–	Yes
23-Oct-18	300548	Broadex Technologies Co Ltd	50%	30%	30%	40%	–	Yes
25-Oct-18	300635	SinoDaan Co Ltd	50%	50%	50%	–	–	Yes
27-Oct-18	300660	Jiangsu Leili Motor Corp Ltd	50%	40%	30%	30%	–	Yes
29-Oct-18	300690	Shandong Shuangyi Technology Co Ltd	50%	33%	33%	34%	–	Yes
30-Oct-18	000049	Shenzhen Desay Battery Tech Co., Ltd.	50%	33%	33%	33%	–	Yes
30-Oct-18	300593	Suplet Power Co Ltd	50%	40%	30%	30%	–	Yes
30-Oct-18	002081	Suzhou Gold Mantis Const Deco Co., Ltd.	50%	30%	30%	40%	–	Yes
30-Oct-18	300624	Wondershare Technology Co Ltd	50%	40%	30%	30%	–	Yes
31-Oct-18	002510	Tianjin Motor Dies Co Ltd	50%	30%	30%	40%	–	Yes
1-Nov-18	300303	Shenzhen Jufei Optoelectronics Co Ltd	50%	30%	30%	40%	–	Yes
1-Nov-18	002327	Shenzhen Fuanna Bedding and Furnishing Co Ltd	50%	30%	30%	40%	–	Yes
6-Nov-18	300684	Jones Tech PLC	50%	20%	40%	40%	–	Yes
7-Nov-18	002723	Kennede Electronics MFG Co Ltd	50%	30%	30%	40%	–	Yes
8-Nov-18	300708	Focus Lightings Tech Co Ltd	50%	40%	30%	30%	–	Yes
9-Nov-18	300501	Shanghai Haishun New Pharma Pckg	50%	40%	30%	30%	–	Yes
10-Nov-18	000597	Northeast Pharmaceutical Group Co Ltd	50%	50%	50%	–	–	Yes
12-Nov-18	300200	Beijing Comens New Materials Co Ltd	50%	40%	30%	30%	–	Yes

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15-Nov-18	002373	China TransInfo Technology Co Ltd	50%	30%	30%	40%	—	Yes
24-Nov-18	002855	Dongguan Chitwing Technology Co Ltd	50%	30%	30%	40%	—	Yes
27-Nov-18	000676	Genimous Technology Co Ltd	50%	30%	30%	40%	—	Yes
27-Nov-18	002866	Jiangsu Transimage Technology Co Ltd	50%	40%	30%	30%	—	Yes
29-Nov-18	300121	Shandong Yanggu Huatai Chemical Co Ltd	50%	40%	30%	30%	—	Yes
30-Nov-18	300290	Bringspring Science and Technology Co Ltd	50%	30%	30%	40%	—	Yes
1-Dec-18	300075	Beijing eGOVA Co Ltd	50%	50%	50%	—	—	Yes
3-Dec-18	002394	Jiangsu lianfa textile Co.Ltd.	50%	30%	30%	40%	—	Yes
3-Dec-18	002097	Sunward Intelligent Equipment Co Ltd	50%	50%	50%	—	—	Yes
5-Dec-18	002007	Hualan Biological Engineering Inc	50%	10%	50%	40%	—	Yes
6-Dec-18	002628	Chengdu Road & Bridge Engineering Co Ltd	50%	40%	30%	30%	—	Yes
6-Dec-18	002842	Guangdong Xianglu Tungsten Co Ltd	50%	40%	30%	30%	—	Yes
8-Dec-18	000078	Shenzhen Neptunus Bioengineering Co. Ltd	50%	50%	50%	—	—	Yes
11-Dec-18	300731	Shenzhen Cotran New Material Co Ltd	50%	40%	30%	30%	—	Yes
12-Dec-18	300274	Sungrow Power Supply Co Ltd	50%	30%	30%	40%	—	Yes
13-Dec-18	300035	Hunan Zhongke Electric Co.,Ltd.	50%	30%	40%	30%	—	Yes
15-Dec-18	300677	Shandong Intco Medical Products Co Ltd	50%	50%	50%	—	—	Yes
19-Dec-18	002511	C&S Paper Co Ltd	50%	30%	30%	40%	—	Yes
19-Dec-18	002861	YingTong Telecommunication Co Ltd	50%	20%	20%	30%	—	Yes

LETTER FROM INDEPENDENT FINANCIAL ADVISER

Date of announcement	Stock code	Company name	Percentage of the grant price to the average stock price for the shares being granted under restricted A share incentive schemes	Proportion of shares unlocked during the first 12 months of the unlocking period	Proportion of shares unlocked during the second 12 months of the unlocking period	Proportion of shares unlocked during the third 12 months of the unlocking period	Proportion of shares unlocked during the fourth 12 months of the unlocking period	Lock-up period arrangement
20-Dec-18	300170	Hand Enterprise Solutions Co Ltd	50%	30%	30%	40%	–	Yes
25-Dec-18	300669	Hangzhou Huning Elevator Parts Co Ltd	50%	40%	30%	30%	–	Yes
25-Dec-18	300476	Victory Giant Technology Huizhou Co Lt	50%	30%	30%	40%	–	Yes
29-Dec-18	000528	Guangxi Liugong Machinery Co., Ltd.	50%	40%	30%	30%	–	Yes
5-Jan-19	300487	Sunresin New Materials Co Ltd XiAn	50%	40%	40%	20%	–	Yes
8-Jan-19	002930	Guangdong Great River Smarter Logistics Co Ltd	50%	40%	30%	30%	–	Yes
		Lowest	50%	10%	20%	20%	15%	
		Highest	50%	50%	50%	40%	30%	
		Mean	50%	35%	33%	34%	24%	
		The Company	50%	30%	30%	40%	-	Yes

(i) *Comparison with the grant prices of restricted A shares under Comparable Schemes*

Based on the Comparable Schemes listed above, we note that the grant price of the Restricted A Shares under the First Grant which represents 50% of the average Share price is in line with those under the Comparable Schemes.

Taking into account (i) the grant price of the Incentive Scheme is equally applicable to all Participants who are or are not connected persons; (ii) the percentage of the grant price to the average stock price is in line with those under the Comparable Schemes; and (iii) the purpose of the Incentive Scheme is to motivate, attract and retain the management, business and technical talents of the Group to promote sustainable, stable and rapid development of the Group rather than to purely raise fund, we consider the grant price of the Incentive Scheme to be fair and reasonable.

(ii) *The adjustment mechanism*

We understand from the management of the Company that, for the events in relation to (i) capitalization issue, bonus issue and sub-division of share capital; (ii) rights issue; and (iii) share consolidation, (a) the purposes of the adjustments to the number and the grant price of the Restricted Shares are to reflect the dilution or consolidation effect to the number of issued Shares and the price of the Shares on a proportionate basis, respectively; and (b) the subscription amount of the Restricted Shares (being the grant price multiplied by the number of the Restricted Shares) after the adjustment would remain the same as that before the adjustment. For the event of dividend distribution, the adjustment to the grant price resembles the theoretical ex-dividend reduction to the price of the Shares. For the event of new issue of Shares, the number and the grant price of the Restricted Shares will not be adjusted. As set out in the Letter from the Board, no adjustment to the number or the grant price of the Restricted Shares will be made due to the Company's proposed issue of A-share convertible bonds announced on 1 February 2019.

In formulating our view on the adjustment mechanism of the Incentive Scheme, we have considered the market norm by studying the adjustment mechanism of the Comparable Schemes. We note that 80 out of 83 of the Comparable Schemes had the same adjustment mechanism with the same events for adjustments as to those of the Incentive Scheme. Therefore, we consider the adjustment mechanism of and the events for adjustments of the Incentive Scheme are commonly adopted by the Comparable Schemes and are fair and reasonable.

(iii) *Comparison with the unlocking arrangement and lock-up arrangement of restricted A shares under Comparable Schemes*

According to the Incentive Scheme, the locking period for the Restricted Shares granted shall be 18 months, 30 months and 42 months from the date of registration of the grant, where the Restricted Shares shall not be transferred or assigned or used as guarantees or for repayment of debts during such locking periods. The unlocking conditions include but not limited to the financial performance of the Group and the performance appraisal results of the Participants, and the lock-up arrangement shall be implemented in accordance with the requirements of the Company Law, the Securities Law and the relevant laws, regulations and regulatory documents as well as the Articles of Association, the details of which are set out in the Letter from the Board in the Circular.

We have compared the unlocking arrangement and the lock-up arrangement with those of the Comparable Schemes and have considered the proportion of shares unlocked in the respective years during the unlocking period in the respective schemes. We note that the unlocking proportion for each of the respective years of the Incentive Scheme and the lock-up arrangement are in line with the market practice.

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Taking into account (i) the unlocking conditions set goals for the Participants, who are the Directors, senior and middle management and core technical (business) personnel of the Group to work on and achieve; (ii) the unlocking arrangement and the lock-up arrangement of the Incentive Scheme are in line with the market practice; and (iii) the requirement to spread over three years' time before 100% of the Restricted Shares can be fully unlocked would further help to retain talents for the Group, we are of the view that the unlocking arrangement and the lock-up arrangement of the Incentive Scheme are fair and reasonable, and are in the interest of the Company and Shareholders as a whole.

8. Possible financial and dilution effects of the issue of Restricted Shares under the Incentive Scheme

(i) Earnings per Share effect

Pursuant to the Incentive Scheme, the Restricted A Shares shall only be unlocked by the Company when the unlocking conditions have been met, the details of which are set out in the Letter from the Board in the Circular. In order to assess the potential effect of the issue of Restricted Shares on the earnings per Share, we have considered the following events assuming the net profit growth targets are being met in the respective years, in which the operating income after reasonable adjustments for 2018 is used as the benchmark. According to the "Preparation Review Report" issued by Ruihua Certified Public Accountants (Special General Partnership), the Company's operating income after reasonable adjustment in 2018 would be approximately RMB836.5 million:

2018			Locking Period 2019	Unlocking Period 2020 2021	
Target increase on operating income (for the fulfillment of the unlocking conditions pursuant to the Incentive Scheme)			110%	120%	130%
Operating income after reasonable adjustments (RMB'000)	836,489	Estimated operating income (RMB'000)	920,138	1,003,787	1,087,436
Net profit (RMB'000)	63,533	Estimated net profit(RMB'000)	69,930	76,288	82,645
Percentage of Restricted Shares to be unlocked when the conditions are satisfied			N/A	30% under First Grant	30% under First Grant and 50% under reserved grant

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		Locking		
		Period	Unlocking Period	
2018		2019	2020	2021
	Number of Restricted Shares to be unlocked	N/A	1,257,840	1,557,840
	Number of Restricted Shares to be granted during the year	4,192,800	600,000	N/A
Number of Shares in issue at the end of the year	187,340,000	Number of Shares in issue at the end of the year	191,132,800	191,132,800
Earnings per Share (RMB)	0.339	Expected earnings per Share (RMB)	0.364	0.397
			0.430	

In preparing the above table, we assumed that:

- (i) all the First Grant of 4,192,800 Restricted Shares are granted in the first half of 2019;
- (ii) 30% and 30% of the First Grant of the Restricted Shares are unlocked in 2020 and 2021, respectively, being 18 months and 30 months from the date of registration of the grant by the first half of 2019, respectively;
- (iii) there would be no repurchase or issue of any Shares up to 31 December 2022;
- (iv) the operating income growth targets in each of the respective years under the Incentive Scheme have been met;
- (v) the ratio of net profit to operating income after reasonable adjustments for the year ended 31 December 2018 remained constant for each of the three years ending 31 December 2021;
- (vi) reserved grant of 600,000 Restricted Shares are granted in the first half of 2020, which is within 12 months from the date on which the Incentive Scheme is passed at the general meeting in 2019;
- (vii) 50% of the reserved grant of the Restricted Shares are unlocked by the end of 2021, being 18 months from the date of registration of the grant in the first half of 2020; and
- (viii) the earnings per Share is calculated by dividing the expected net profit by the total number of Shares in issue at the end of the year.

For the year ending 31 December 2019, the total number of Shares in issue would be 191,132,800 Shares, consisting of (i) 187,340,000 Shares as at the date of this Circular; and (ii) 4,192,800 Restricted Shares that are all granted by the end of 2019. As the operating

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income growth target for the year ending 31 December 2019 represents a 10% growth of the operating income for the year ended 31 December 2018, the expected earnings per Share for the year ending 31 December 2019 would be approximately RMB0.364, representing an increase of approximately 7.4% compared to that of 2018.

For the year ending 31 December 2020, the total number of Shares in issue would be 192,168,100 Shares. As the operating income growth target for the year ending 31 December 2020 represents a 20% growth of the operating income for the year ended 31 December 2018, the expected earnings per Share for the year ending 31 December 2020 would be approximately RMB0.397, representing an increase of approximately 17.1% compared to that of 2018.

For the year ending 31 December 2021, the total number of Shares in issue would be 192,168,100 Shares. As the operating income growth target for the year ending 31 December 2021 represents a 30% growth of the operating income for the year ended 31 December 2018, the expected earnings per Share for the year ending 31 December 2021 would be approximately RMB0.430, representing an increase of approximately 26.8% compared to that of 2018.

Based on the above table, the expected earnings per Share for the three years ending 31 December 2021, if materialised, would follow a progressive path of growth. We are of the view that the grant of the Restricted Shares under the Incentive Scheme is beneficial to the Company as the proportion of earnings per Share diluted by the increase in the total number of Shares through the issue of the Restricted Shares is compensated by the targeted increase in the net profit. It is expected that the Incentive Scheme would encourage the Participants to contribute to the growth and the future development of the Company. We therefore are of the view that the Incentive Scheme is in the interest of the Company and Shareholders as a whole.

(ii) Working capital

The cash position of the Company will be improved by approximately RMB29.2 million under the First Grant of 4,192,800 Restricted Shares multiplied by the grant price of RMB6.96 per Restricted Share.

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- (iii) *Estimated impact of fair value costs of the Restricted Shares on the operating performance of each of the period due to the implementation of the Incentive Scheme*

The following table sets out the estimated fair value costs of the Restricted Shares to be amortised in accordance with the PRC accounting standards for the implementation of the Incentive Scheme, the details of the which are set out in Appendix I to the Circular.

	Total costs to be amortised under First Grant	2019	2020	2021	2022
	<i>(RMB0'000)</i>	<i>(RMB0'000)</i>	<i>(RMB0'000)</i>	<i>(RMB0'000)</i>	<i>(RMB0'000)</i>
Amortised Cost	2,718.67	590.34	1,180.68	636.95	310.70

Notes:

1. The above results are only for illustrative purpose and do not represent the final accounting costs. The actual accounting costs are affected by the timing of the actual date of grant, the grant price and the number of grant, as well as the actual effective and lapsed quantities for each respective year.
2. The final result of the above impact on the Company's operating results will be subject to the annual audit report issued by the accounting firm.

According to the preliminary evaluation by the Company based on the information available, without taking into account the stimulus effects of the Incentive Scheme on the results of the Company, the amortization of the costs of Restricted Shares shall affect the net profit of each year during the Validity Period. Taking into consideration the positive impact of the Incentive Scheme on the development and financial results of the Company, we concur with the Directors of the Company that the potential benefits generated from the improvement in the Company's results due to the Incentive Scheme shall exceed the increase in costs of the Restricted Shares.

- (iv) *Potential dilution effect of the issue of the Restricted Shares to the existing shareholders*

As at the Latest Practicable Date, the Company has 187,340,000 ordinary Shares in issue. Assuming there will be no change in the share capital of the Company, the total number of the Restricted Shares that may be granted under the Incentive Scheme shall be 4,792,800 Shares, representing approximately 2.56% of the Company's total share capital of 187,340,000 Shares.

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In order to form our view on the dilution effect of the issue of the Restricted Shares to the existing shareholders, we have considered the market norm by studying the dilution effect of the Comparable Schemes. The table below summarises the dilution effect of the Comparable Schemes:

Date of announcement	Stock code	Company name	Number of restricted A shares to be granted	Percentage of restricted A shares to be granted to the total issued share capital of the company
1-Aug-18	000818	Hangjin Technology Co., Ltd.	18,000,000	2.60%
3-Aug-18	002860	Hangzhou Star Shuaier Electric Appliance Co., Ltd.	3,200,000	2.81%
3-Aug-18	300485	Beijing Science Sun Pharmaceutical Co.,LTD.	4,800,000	1.00%
4-Aug-18	002035	Vatti Corporation Limited	10,710,000	1.23%
7-Aug-18	300648	Fujian Nebula Electronics Co., Ltd.	4,000,000	2.95%
10-Aug-18	002050	Zhejiang Sanhua Intelligent Controls Co., Ltd.	10,600,000	0.50%
15-Aug-18	002424	Guizhou Bailing Group Pharmaceutical Co., Ltd.	43,000,000	3.05%
16-Aug-18	002293	Luolai Lifestyle Technology Co., Ltd.	14,050,000	1.89%
18-Aug-18	002845	Shenzhen TXD Technology Co., Ltd.	5,760,000	6.00%
18-Aug-18	300384	Beijing Sanlian Hope Shin-Gosen Technical Service Co., Ltd.	1,100,000	0.66%
22-Aug-18	300273	Zhuhai Hokai Medical Instruments Co., Ltd.	15,428,000	1.96%
24-Aug-18	002871	Qingdao Weflo Valve Co., Ltd.	1,205,000	1.04%
24-Aug-18	300470	Sichuan Sunny Seal Co., Ltd.	2,893,000	2.71%
24-Aug-18	300588	Xinjiang Sailing Information Technology Co., Ltd	4,205,000	2.63%
27-Aug-18	300394	Suzhou TFC Optical Communication Co., Ltd.	1,020,000	0.52%
28-Aug-18	300515	Hunan Sundy Science and Technology Co., Ltd	2,070,000	1.04%
29-Aug-18	002236	Zhejiang Dahua Technology Co., Ltd.	121,749,000	4.20%
29-Aug-18	002819	Beijing Oriental Jicheng Co., Ltd	95,310,000	0.84%

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Date of announcement	Stock code	Company name	Number of restricted A shares to be granted	Percentage of restricted A shares to be granted to the total issued share capital of the company
30-Aug-18	002734	Limin Chemical Co., Ltd.	5,000,000	1.79%
31-Aug-18	002157	Jiangxi Zhengbang Technology Co., Ltd.	39,340,000	1.68%
31-Aug-18	300638	Fibocom Wireless Inc.	1,575,000	1.31%
3-Sep-18	002849	Zhejiang Viewshine Intelligent Meter Co.,Ltd.	2,590,000	1.99%
5-Sep-18	002600	Lingyi Itech (Guangdong) Company	210,000,000	3.09%
6-Sep-18	300590	Queclink Wireless Solutions Co., Ltd.	1,620,000	1.01%
8-Sep-18	300628	Yealink Network Technology Corporation Limited	1,090,000	0.36%
10-Sep-18	300573	Shenyang Xingqi Pharmaceutical Co., Ltd.	2,450,000	3.06%
11-Sep-18	300319	Shenzhen Microgate Technology Co., Ltd	19,850,000	2.86%
21-Sep-18	002859	Zhejiang Jiemei Electronic And Technology Co., Ltd.	2,770,000	1.08%
25-Sep-18	300562	Guangdong Transtek Medical Electronics Co Ltd	2,000,000	1.06%
26-Sep-18	000997	Newland Digital Technology Co Ltd	41,440,000	4.10%
26-Sep-18	300699	Weihai Guangwei Composites Co Ltd	2,250,000	0.61%
28-Sep-18	002717	LingNan Eco&Culture-Tourism Co Ltd	2,250,000	2.97%
29-Sep-18	000611	Inner Mongolia TianShou Tech & Dev Co	16,000,000	4.97%
29-Sep-18	002901	Double Medical Technology Inc.	2,596,300	0.65%
8-Oct-18	002587	Shenzhen AOTO Electronics Co Ltd	9,000,000	1.47%
8-Oct-18	300453	Jiangxi Sanxin Medtec Co Ltd	5,870,000	3.70%
8-Oct-18	300631	Jiangsu Jiuwu Hitech Co Ltd	3,500,000	3.41%
10-Oct-18	002410	Glodon Co Ltd	8,200,000	0.73%
12-Oct-18	002537	HyUnion Holding Co Ltd	9,600,000	0.77%
18-Oct-18	002835	Shenzhen TVT Digital Technology Co Ltd	5,400,000	2.50%

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Date of announcement	Stock code	Company name	Number of restricted A shares to be granted	Percentage of restricted A shares to be granted to the total issued share capital of the company
20-Oct-18	300640	Profit Cultural and Creative Group Co Ltd	3,600,000	2.50%
23-Oct-18	300548	Broadex Technologies Co Ltd	700,000	0.85%
25-Oct-18	300635	SinoDaan Co Ltd	688,000	0.51%
27-Oct-18	300660	Jiangsu Leili Motor Corp Ltd	3,820,000	2.08%
29-Oct-18	300690	Shandong Shuangyi Technology Co Ltd	1,990,000	1.79%
30-Oct-18	000049	Shenzhen Desay Battery Tech Co., Ltd.	2,004,000	0.98%
30-Oct-18	300593	Suplet Power Co Ltd	2,700,000	2.34%
30-Oct-18	002081	Suzhou Gold Mantis Const Deco Co., Ltd.	41,100,000	1.55%
30-Oct-18	300624	Wondershare Technology Co Ltd	1,505,000	1.88%
31-Oct-18	002510	Tianjin Motor Dies Co Ltd	27,000,000	3.01%
1-Nov-18	300303	Shenzhen Jufei Optoelectronics Co Ltd	30,000,000	2.40%
1-Nov-18	002327	Shenzhen Fuanna Bedding and Furnishing Co Ltd	4,200,000	0.48%
6-Nov-18	300684	Jones Tech PLC	1,248,500	0.80%
7-Nov-18	002723	Kennede Electronics MFG Co Ltd	5,660,000	3.03%
8-Nov-18	300708	Focus Lightings Tech Co Ltd	2,630,000	1.02%
9-Nov-18	300501	Shanghai Haishun New Pharma Pckg	3,500,000	3.47%
10-Nov-18	000597	Northeast Pharmaceutical Group Co Ltd	56,950,000	10.00%
12-Nov-18	300200	Beijing Comens New Materials Co Ltd	6,000,000	2.30%
15-Nov-18	002373	China TransInfo Technology Co Ltd	24,021,000	1.64%
24-Nov-18	002855	Dongguan Chitwing Technology Co Ltd	12,000,000	5.00%
27-Nov-18	000676	Genimous Technology Co Ltd	54,289,293	5.62%
27-Nov-18	002866	Jiangsu Transimage Technology Co Ltd	4,880,000	2.00%
29-Nov-18	300121	Shandong Yanggu Huatai Chemical Co Ltd	13,480,000	3.59%

LETTER FROM INDEPENDENT FINANCIAL ADVISER

Date of announcement	Stock code	Company name	Number of restricted A shares to be granted	Percentage of restricted A shares to be granted to the total issued share capital of the company
30-Nov-18	300290	Bringspring Science and Technology Co Ltd	2,800,000	0.83%
1-Dec-18	300075	Beijing eGOVA Co Ltd	6,300,000	1.48%
3-Dec-18	002394	Jiangsu lianfa textile Co.Ltd.	12,948,000	4.00%
3-Dec-18	002097	Sunward Intelligent Equipment Co Ltd	32,430,000	3.07%
5-Dec-18	002007	Hualan Biological Engineering Inc	5,485,000	0.59%
6-Dec-18	002628	Chengdu Road & Bridge Engineering Co Ltd	26,500,000	3.59%
6-Dec-18	002842	Guangdong Xianglu Tungsten Co Ltd	1,822,200	1.07%
8-Dec-18	000078	Shenzhen Neptunus Bioengineering Co. Ltd	225,360,000	8.52%
11-Dec-18	300731	Shenzhen Cotran New Material Co Ltd	2,000,000	2.29%
12-Dec-18	300274	Sungrow Power Supply Co Ltd	9,000,000	0.62%
13-Dec-18	300035	Hunan Zhongke Electric Co.,Ltd.	20,000,000	3.86%
15-Dec-18	300677	Shandong Intco Medical Products Co Ltd	2,000,000	1.02%
19-Dec-18	002511	C&S Paper Co Ltd	21,717,500	1.69%
19-Dec-18	002861	YingTong Telecommunication Co Ltd	3,570,000	2.91%
20-Dec-18	300170	Hand Enterprise Solutions Co Ltd	15,428,000	1.77%
25-Dec-18	300669	Hangzhou Huning Elevator Parts Co Ltd	1,233,064	1.46%
25-Dec-18	300476	Victory Giant Technology Huizhou Co Lt	23,511,000	3.05%
29-Dec-18	000528	Guangxi Liugong Machinery Co., Ltd.	14,628,147	1.00%

LETTER FROM INDEPENDENT FINANCIAL ADVISER

Date of announcement	Stock code	Company name	Number of restricted A shares to be granted	Percentage of restricted A shares to be granted to the total issued share capital of the company
5-Jan-19	300487	Sunresin New Materials Co Ltd XiAn	5,000,000	2.47%
8-Jan-19	002930	Guangdong Great River Smarter Logistics Co Ltd	500,000	0.21%
		Lowest	500,000	0.2%
		Highest	225,360,000	10.0%
		Mean	18,282,410	2.3%
		The Company	4,792,800	2.56%

Note: The dilution effect of granted shares represents the percentage of shares to be granted to the total issued shares as at the date of the grant.

As shown in the table above, the dilution effect of 2.56% of the Incentive Scheme is within the range of and comparable to the mean of the dilution effect of the Comparable Schemes. Therefore, we are of the view that the dilution effect of the Incentive Scheme is acceptable.

RECOMMENDATION

Having considered the above principal factors and reasons, in particular (i) the Incentive Scheme can align the interest of the Participants that could promote the sustainable development of the Company; (ii) the terms of the Incentive Scheme are in line with the similar incentive schemes adopted by other listed companies on Shenzhen Stock Exchange; and (iii) the Company having incorporated Management Measures that ensure the Company to achieve target growth rates before the Participants are entitled to the benefits of the Incentive Scheme, we concur with the Directors' view that, the terms of the Incentive Scheme and the proposed grant to the connected persons under the First Grant pursuant to the Incentive Scheme are fair and reasonable, are on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM and the Class Meetings to approve the proposed grant to the connected persons under the First Grant pursuant to the Incentive Scheme.

Yours faithfully,
For and on behalf of
Giraffe Capital Limited
Johnson Chen
Managing Director

Mr. Johnson Chen is a licensed person registered with the Securities and Futures Commission and a responsible officer of Giraffe Capital Limited to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities and to undertake work as a sponsor. He has over 11 years of experience in the field of corporate finance advisory.

Stock Abbreviation: Zhuangyuan Pasture*

Stock Code: 002910

Lanzhou Zhuangyuan Pasture Co., Ltd.*
蘭州莊園牧場股份有限公司
2019 Incentive Scheme of Restricted Shares
(Draft)



March 2019

STATEMENT

The Company and all its directors and Supervisors guarantee that no false statements, misleading representation or material omissions are contained in the Incentive Scheme and its summary, and shall assume several and joint legal liability for the truthfulness, accuracy and completeness of the contents thereof.

SPECIAL NOTICE

- I. The Incentive Scheme is formulated in accordance with the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China, the Management Measures for Share Incentives of Listed Companies, and other relevant laws, regulations and normative documents as well as the Articles of Association of Lanzhou Zhuangyuan Pasture Co., Ltd.
- II. The incentive tool adopted by the Incentive Scheme is Restricted Shares. The source of the shares shall be ordinary A Shares issued to the Incentive Participants by Lanzhou Zhuangyuan Pasture Co., Ltd.
- III. The total number of Restricted Shares that may be granted under the Incentive Scheme shall be 4,792,800 shares, representing 2.56% of the Company's total share capital of 187,340,000 shares as at the date of the announcement of the draft of the Incentive Scheme, including 4,192,800 shares under the First Grant, representing 2.24% of the Company's total share capital of 187,340,000 shares as at the date of the announcement of the draft of the Incentive Scheme and 87.48% of the total equity under this grant; and 600,000 reserved shares, representing 0.32% of the Company's total share capital of 187,340,000 shares as at the date of the announcement of the draft of the Incentive Scheme and 12.52% of the total equity under this grant.

The cumulative total number of underlying shares of the Company involved under the fully effective share incentive schemes shall not exceed 10.00% of the total share capital of the Company when the Incentive Scheme is submitted to the general meeting. The total number of shares to be granted to any of the Incentive Participants under the Incentive Scheme shall not exceed 1.00% of the total share capital of the Company when the draft of the Incentive Scheme is announced.

- IV. The grant price of the Restricted Shares under the First Grant of the Scheme shall be RMB6.96 per share. In the event of any capitalisation issue, bonus issue, sub-division, rights issue, share consolidation or distribution of dividends of the Company in the period from the date of announcement on the Incentive Scheme to the completion of registration of Restricted Shares by the Incentive Participants, the grant price or quantity of Restricted Shares shall be adjusted in accordance with the Incentive Scheme accordingly.
- V. The total number of Incentive Participants under the First Grant of the Incentive Scheme is 100. The Incentive Participants include directors, senior management, middle management and key technical (business) employees who serve the Company when the Incentive Scheme is announced, excluding independent directors and supervisors, as well as shareholders individually or in aggregate holding 5.00% or more of the shares of the Company or the de

facto controllers and their spouses, parents or children. None of the Incentive Participants under the Incentive Scheme has participated in two or more share incentive schemes of listed companies.

The reserved Incentive Participants refer to the Incentive Participants who were not determined when the Incentive Scheme was approved at the general meeting but have been included in the Incentive Scheme during the period of existence of the Incentive Scheme and who are determined within 12 months since the date the Incentive Scheme was considered and approved at the general meeting. The standard for determination of the reserved Incentive Participants shall be fixed with reference to that of the First Grant.

- VI. The validity period of the Incentive Scheme shall commence from the record date of the Restricted Shares and end on the date on which all the Restricted Shares granted to the Incentive Participants have been unlocked or otherwise repurchased and cancelled, which shall not be longer than 54 months.
- VII. None of the following circumstances under which the implementation of the share incentive shall not be conducted as stipulated in Article 7 of Management Measures for Share Incentives of Listed Companies has occurred to the Company:
- (i) issue of an auditors' report with adverse opinion or which indicates an inability to give opinion by a certified public accountant with respect to the financial report of the Company for its most recent accounting year;
 - (ii) issue of an auditors' report with adverse opinion or which indicates an inability to give opinion by a certified public accountant with respect to the internal control of the financial report of the Company for its most recent accounting year;
 - (iii) failure to conduct profit distribution in accordance with laws and regulations, the Articles of Association and public undertakings during the 36 months after listing;
 - (iv) prohibition from implementation of a share incentive scheme by laws and regulations;
 - (v) other circumstances as determined by the CSRC.
- VIII. None of the following circumstances existed as for the Participant under the scheme that shall not be qualified as the Participant according to Article 8 of the Management Measures for Share Incentives of Listed Companies:
- (i) Having been declared an inappropriate candidate by SSE in the past 12 months;
 - (ii) Having been declared an inappropriate candidate by the CSRC or its local counterparts in the past 12 months;
 - (iii) Having been imposed with administrative penalties or prohibited from market entry by the CSRC or its local counterparts in the past 12 months due to material violation of laws and regulations;
 - (iv) Being prohibited from acting as a director or a member of senior management of the Company by the Company Law;

- (v) Being prohibited from participating in any share incentive scheme of listed companies by laws and regulations;
 - (vi) Other circumstances as determined by the CSRC.
- IX. The Company shall not provide loans and any other forms of financial assistance to the Incentive Participants for acquiring the Restricted Shares under the Incentive Scheme including provision of guarantee for their loans.
- X. The relevant information disclosure documents regarding the Incentive Scheme do not contain any false statement, misleading representation or material omission.
- XI. Where false statements or misleading representations in or material omissions from the information disclosure documents of the Company result in non-compliance with condition of grant or arrangements for exercise of the entitlements, the Incentive Participants concerned shall return to the Company all interests gained through the Scheme calculated from the date when it's confirmed that the relevant information disclosure documents of the Company contain false statements, misleading representations or material omissions.
- XII. The implementation of the Incentive Scheme is subject to consideration and approval at the general meeting of the Company.
- XIII. The Company shall hold the Board meetings according to relevant requirements to make grants to the Incentive Participants and complete relevant procedures such as registration and announcement within 60 days commencing from the date of the consideration and approval of the Incentive Scheme at the general meeting of the Company. In the event the Company fails to complete the procedures mentioned above within such 60 days, it is required to disclose the reasons thereof in a timely manner and announce termination of the implementation of the Incentive Scheme, and the Restricted Shares not granted shall lapse. In accordance with the Management Measures for Share Incentives of Listed Companies and the Memorandum No. 4 Concerning Information Disclosure on Small and Medium-sized Enterprises Board: Equity Incentive, the period during which no entitlements shall be granted shall not be included in the 60 days.
- XIV. The implementation of the Incentive Scheme will not cause the shareholding structure of the Company to fail to meet listing requirements*.

* Refers to listing requirements of the Company in the Shenzhen Stock Exchange and the Stock Exchange of Hong Kong Limited

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CHAPTER I DEFINITIONS

Unless otherwise specified, capitalised terms shall have the same meanings as those hereinafter defined:

“Company”, “Issuer”, “Joint Stock Company”, “Zhuangyuan Pasture”	Lanzhou Zhuangyuan Pasture Co., Ltd.
“Incentive Scheme”	the 2019 Incentive Scheme of Restricted Shares of Lanzhou Zhuangyuan Pasture Co., Ltd.
“Restricted Shares”	a certain number of shares of the Company granted to the Incentive Participants according to the conditions and price stipulated in the incentive plan, which are subject to a lock-up period and can only be unlocked for trading when the unlocking conditions under the Incentive Scheme are satisfied
“Incentive Participants”	the directors, senior management, middle management, key technical (business) employees and other core personnel who, in the opinion of the Board, shall be entitled to incentive of the Company to be granted the Restricted Shares pursuant to the Incentive Scheme
“Grant Date”	the date on which the Incentive Participant(s) to be granted the Restricted Shares by the Company, which must be a trading day
“Grant Price”	the price of each Restricted Share granted to the Incentive Participants
“Lock-up Period”	the period during which the Restricted Shares granted to the Incentive Participants are restricted to be transferred or assigned or used as guarantee or for repayment of debts
“Unlocking Period”	the period during which the Restricted Shares of the Incentive Participants are unlocked and can be transferred upon the fulfillment of the Unlocking Conditions specified in the Incentive Scheme
“Unlocking Conditions”	the conditions on the unlocking of the Restricted Shares of the Incentive Participants under the Incentive Scheme
“Company Law”	the Company Law of the People’s Republic of China
“Securities Law”	the Securities Law of the People’s Republic of China

APPENDIX I 2019 INCENTIVE SCHEME OF RESTRICTED SHARES

“Management Measures”	the Management Measures for Share Incentives of Listed Companies (Revised in 2018)
“Articles of Association”	the articles of association of Lanzhou Zhuangyuan Pasture Co., Ltd.
“CSRC”	the China Securities Regulatory Commission
“SSE”	Shenzhen Stock Exchange
“Depository and Clearing Company”	Shenzhen Branch of China Securities Depository and Clearing Corporation Limited
“RMB”	Renminbi
“Dongfang Dairy”	Xi’an Dongfang Dairy Company Limited* (西安東方乳業有限公司)
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out under Appendix 10 of the Listing Rules
“Stock Exchange” or “Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited

Note.

1. Unless otherwise stated, the financial data and financial indicators referenced herein shall mean the financial data on a consolidated basis and financial indicators calculated based on such financial data.
2. Some figures shown as totals herein may not be an arithmetic aggregation of the figures preceding them due to rounding adjustments.

CHAPTER II PURPOSE AND PRINCIPLE OF THE INCENTIVE SCHEME**I. Purpose of the Incentive Scheme**

1. To further establish and improve the Company's long-term incentive mechanism, fully mobilize the enthusiasm of the Company's directors, senior management, middle management and core technical (business) employees, effectively combine the interests of shareholders, the Company's interests and the core team's personal interests and promote the Company's sustained, steady and rapid development;
2. It is conducive to attracting and retaining excellent management, business and technical talents, meeting the Company's huge demand for core business (technical) talents and management talents, establishing the Company's human resources advantages, and further stimulating the Company's innovation vitality, thus injecting new impetus for the Company's continued and rapid development.

II. Principle of the Incentive Scheme

Under the premise of fully safeguarding the interests of shareholders, the Incentive Scheme is prepared following the principle of linking income with contribution in accordance with the relevant laws, regulations and normative documents including the Company Law, the Securities Law and the Management Measures, the Listing Rules, as well as the Articles of Association.

CHAPTER III ADMINISTRATIVE BODIES OF THE INCENTIVE SCHEME

- I. The general meeting, as the institution vested with the supreme authority of the Company, is responsible for consideration and approval of the implementation, change and termination of the Incentive Scheme. The general meeting may authorize the Board to deal with certain matters related to the Incentive Scheme to the extent of its authority.
- II. The Board is the institution in charge of the implementation of the Incentive Scheme, and its subordinate Remuneration and Assessment Committee is responsible for drafting and revising the Incentive Scheme and submitting the same to the Board for consideration. Upon consideration and approval of the Incentive Scheme, the Board will submit the Incentive Scheme to the general meeting for consideration. The Board may handle other matters related to the Incentive Scheme within the authorisation by the general meeting.
- III. The Supervisory Committee and independent directors are the supervisory institutions of the Incentive Scheme and expressing their views on whether the Incentive Scheme facilitates the sustainable development of the Company and whether the Incentive Scheme impairs the interests of the Company and the Shareholders as a whole. The Supervisory Committee supervises whether the implementation of the Incentive Scheme complies with relevant laws, regulations, regulatory documents and the business rules of the SSE, and is responsible for reviewing the list of the Incentive Participants. The independent directors will collect entrusted voting rights from all shareholders in relation to the Incentive Scheme.

Where the Company revises its incentive scheme before the consideration and approval at the general meeting, the independent directors and the Supervisory Committee shall express independent opinions on whether the revised Incentive Scheme facilitates the sustainable development of the Company and whether the revised Incentive Scheme impairs the interests of the Company and the Shareholders as a whole.

The independent directors and the Supervisory Committee shall express clear opinions on whether the conditions of a grant to the Incentive Participants as set out in the Incentive Scheme have been satisfied before the Company makes a grant to the Incentive Participants. If there is any discrepancy between the grant of the equity to Incentive Participants and the arrangement of the Incentive Scheme, the independent directors and the Supervisory Committee (in case of changes of the Incentive Participants) shall express clear opinions simultaneously.

Before the exercise of the entitlements by the Incentive Participants, the independent directors and the Supervisory Committee shall express clear opinions on whether the conditions for the Incentive Participants to exercise the entitlements under the Incentive Scheme have been fulfilled

CHAPTER IV BASIS FOR DETERMINING AND SCOPE OF THE INCENTIVE PARTICIPANTS**I. Basis for determining the Incentive Participants****(I) Legal basis for determining the Incentive Participants**

The Incentive Participants of the Incentive Scheme are determined after taking into account the actual circumstances of the Company and in accordance with the Company Law, the Securities Law, the Management Measures, the Listing Rules and other relevant laws, regulations and normative documents as well as the Articles of Association.

(II) Functional basis for determining the Incentive Participants

The Incentive Participants of the Incentive Scheme include the Company's directors, senior management, middle management and core technical (business) employees and exclude independent directors and supervisors. The Incentive Participants of the Incentive Scheme shall be nominated by the Remuneration and Assessment Committee of the Board of the Company and verified by the Supervisory Committee of the Company.

(III) Principles for determining the Incentive Participants

1. The Incentive Participants shall be the on-the-job directors, senior management, middle management and core technical (business) employees of the Company, and the scope shall not be expanded at will;
2. The independent directors and supervisors of the Company shall not participate in the Incentive Scheme;
3. The shareholders individually or in aggregate holding 5% or more of the shares of the Company or the de facto controllers and their spouses, parents or children shall not participate in the Incentive Scheme;
4. In accordance with the Management Measures, the following personnel shall not participate in the Incentive Scheme:
 - (1) being subject to any identification as an ineligible personnel by a stock exchange in the last 12 months;
 - (2) being subject to any identification as an ineligible personnel by the CSRC and its resident agencies in the last 12 months;
 - (3) imposition of administrative penalties or measures prohibiting the Incentive Participants from entering into the market by the CSRC and its resident agencies in the last 12 months due to material non-compliance of laws or regulations;

- (4) circumstances under which the Incentive Participant is prohibited from acting as a director and a member of the senior management of the Company pursuant to the Company Law;
- (5) circumstances under which the Incentive Participants are not allowed by the laws and regulations to participate in share incentive schemes of a listed company;
- (6) any other circumstances as determined by the CSRC.

In case any Incentive Participant has any of the circumstances specified above, the Company will terminate its right to participate in the Incentive Scheme, and the Restricted Shares that have been granted to the Incentive Participant under the Incentive Scheme but have not been unlocked shall be repurchased and cancelled by the Company.

II. Scope of the Incentive Participants

(I) Scope of the Incentive Participants

The total number of Participants under the Incentive Scheme is 100 including 5 directors and senior management, 11 middle management and 84 core technical (business) employees. All Incentive Participants must be employees of the Company or its wholly-owned subsidiaries and have entered into labour contracts or employment contracts with such companies at the grant of Restricted Shares by the Company and during the assessment period of the Incentive Scheme.

Reserved Incentive Participants shall be determined within 12 months from the date on which the Incentive Scheme is considered and passed at the general meeting. Following the proposals from the Board, issue of clear opinions by the independent directors and the supervisory committee as well as issue of professional opinions and legal opinions by the legal adviser, the Company shall promptly and accurately disclose the relevant information in relation to such Incentive Participants on the designated website pursuant to the relevant requirements. The reserved entitlements shall become invalid where the reserved Incentive Participants are not determined after 12 months from the aforesaid date. The criteria for determining the reserved Incentive Participants shall be identical to the criteria for the First Grant. Upon determination of the Participants for the Reserved Grant, further announcement(s) will be made by the Company regarding the details of those Participants as and when appropriate and the Company will comply with the relevant requirements under the Listing Rules.

(II) Description on the scope of the Incentive Participants

The Incentive Participants of the Incentive Scheme are directors, senior management, middle management and core technical (business) employees who have a direct impact on the Company's future operating results and development and, in the opinion of the Board of the Company, are entitled to incentive and are the core strength for strategy implementation,

operation and development of the Company. The Company's implementation of the share incentive scheme for such employees not only fully considers the representativeness and demonstration effects of the Incentive Participants, but also helps to establish the benefit sharing and constraint mechanism between the shareholders and the abovementioned employees, enhance the employees' sense of responsibility and mission for continuous, steady and healthy development of the Company, effectively improve the cohesiveness and creativity of employees, and facilitates the realization of the Company's development strategy and business plan.

III. Verification of the Incentive Participants

1. After the Incentive Scheme is considered and approved by the Board, the Company shall internally publish the names and the positions of the Incentive Participants for a period of no less than 10 days.
2. The Supervisory Committee of the Company shall verify the list of the Incentive Participants and thoroughly consider opinions from the public. The Company shall publish the opinions of the Supervisory Committee on the verification and the public opinions in relation to the list of the Incentive Participants 5 days before the Incentive Scheme is considered at the general meeting. The list of Incentive Participants as adjusted by the Board of the Company shall also be verified by the Supervisory Committee of the Company.
3. The Supervisory Committee will review and issue opinions on the list of Incentive Participants as at the Grant Date of the Restricted Shares.
4. The law firm as engaged by the Company shall express opinions on whether qualifications of and the Restricted Shares granted to the Incentive Participants comply with relevant laws and regulations, the Articles of Association and the Incentive Scheme.

CHAPTER V SOURCE, NUMBER AND ALLOCATION OF THE RESTRICTED SHARES**I. Source of shares under the Incentive Scheme**

The underlying shares of the Incentive Scheme shall be directional ordinary A Shares issued to the Incentive Participants by the Company.

II. Number of Restricted Shares to be granted

The number of Restricted Shares to be granted under the Incentive Scheme shall be 4,792,800 shares, representing 2.56% of the Company's total share capital of 187,340,000 shares as at the date of the announcement of the draft of the Incentive Scheme, including 4,192,800 shares under the First Grant, representing 2.24% of the Company's total share capital of 187,340,000 shares as at the date of the announcement of the draft of the Incentive Scheme and 87.48% of the total equity under this grant; and 600,000 reserved shares, representing 0.32% of the Company's total share capital of 187,340,000 shares as at the date of the announcement of the draft of the Incentive Scheme and 12.52% of the total equity under this grant.

Upon implementation of the Incentive Scheme, the cumulative total number of underlying shares of the Company involved under the Incentive Scheme shall not exceed 10.00% of the total share capital of the Company. The total number of shares to be granted to any of the Incentive Participants under the fully effective share incentive schemes shall not exceed 1.00% of the total share capital of the Company when the Incentive Scheme is submitted to the general meeting for consideration.

APPENDIX I 2019 INCENTIVE SCHEME OF RESTRICTED SHARES

III. Allocation of Restricted Shares granted to the Incentive Participants

Allocation of Restricted Shares to be granted to each Incentive Participant under the Incentive Scheme is as follows:

Name	Position	Number of Restricted Shares to be Granted (0'000 shares)	Approximate percentage to the total number of Restricted Shares to be Granted (including the Reserved Grant)	Approximate percentage to the total number of Shares in issue as at the date of the announcement on the scheme
Directors, senior management				
Wang Guofu	Vice chairman of the Board, Executive Director, financial controller	48.30	10.08%	0.26%
Chen Yuhai	Executive Director, general manager	48.30	10.08%	0.26%
Zhang Qianyu	Executive Director, secretary to the Board	10.80	2.25%	0.06%
Ma Tianliang	Deputy general manager	26.25	5.48%	0.14%
Li Baozhu	Deputy general manager	19.25	4.02%	0.10%
Other personnel				
Middle management (11 people)		133.77	27.91%	0.71%
Among which:				
Ding Jianping	Chief executive officer of a subsidiary of the Company	48.30	10.08%	0.26%
Zhao Qinghua	Director of a subsidiary of the Company	10.64	2.22%	0.06%
Core technical (business) employees (84 people)		132.61	27.67%	0.71%
Reserved shares		60	12.52%	0.32%
Total (100 people)		479.28	100.00%	2.56%

Notes:

1. The total number of shares to be granted to any of the above Incentive Participants under the fully effective share incentive schemes does not exceed 1% of the total share capital of the Company. The cumulative total number of underlying shares of the Company involved under the fully effective share incentive schemes does not exceed 10% of the total share capital of the Company when the Incentive Scheme is submitted to the general meeting.
2. The reserved Incentive Participants refer to the Incentive Participants who were not determined when the Incentive Scheme was approved at the general meeting but have been included in the Incentive Scheme during the period of existence of the Incentive Scheme and who are determined within 12 months since the date the Incentive Scheme was considered and approved at the general meeting.

CHAPTER VI VALIDITY PERIOD, GRANT DATE, LOCK-UP PERIOD, UNLOCKING ARRANGEMENT AND BLACK-OUT PERIOD**I. Validity period of the incentive scheme**

The validity period of the Incentive Scheme shall commence from the record date of the Restricted Shares and end on the date on which all the Restricted Shares granted to the Incentive Participants have been unlocked or otherwise repurchased and cancelled, which shall not be longer than 54 months.

II. Date of grant of the incentive scheme

The Date of Grant shall be determined by the Board after the Incentive Scheme is considered and passed at the general meeting of the Company, and must be a trading day. The Company shall grant the restricted shares and complete the announcement and registration procedures within 60 days from the date on which the Incentive Scheme is considered and passed at the general meeting of the Company, failing which the Company shall disclose the reasons for the failure and announce termination of the Incentive Scheme and the restricted shares which have not been granted will lapse. In accordance with the Management Measures and the Memorandum No. 4 Concerning Information Disclosure on Small and Medium-sized Enterprises Board: Equity Incentive (《中小企業板信息披露業務備忘錄第4號：股權激勵》), the period during which no entitlements shall be granted shall not be included in the 60 days. Part of the reserved Restricted Shares will be granted within 12 months from the date on which the Incentive Scheme is considered and passed at the general meeting of the Company. The date of announcement on Board resolution in relation to reservation of shares and consideration of the grant of the Restricted Shares shall be the Date of Grant.

The Date of Grant must be a trading day and shall not fall within any of the following periods:

- (1) the period commencing from 30 days prior to the publication of periodic reports of the Company after the publication of the reports, or in the event of delay in publishing the reports for special reasons, 30 days prior to the original date of publication and up to one day prior to the date of publication;
- (2) the period commencing from 10 days prior to the publication of the announcement of results forecast and preliminary results of the Company after the publication of such announcement;
- (3) the period commencing from the date of occurrence of any significant event which may have significant effect on the trading prices of the Company's shares and their derivatives of the Company or the date on which relevant decision-making procedures start and ending on the second trading day following the publication in accordance with laws;
- (4) other periods as stipulated by the CSRC and Shenzhen Stock Exchange.

The abovementioned period during which it is not allowed to grant restricted shares is not included in the period of 60 days.

In case of shareholding reduction by the Company's Directors and senior management as the Incentive Participants within 6 months before the grant of Restricted Shares, the grant of Restricted Shares shall be postponed for six months from the date of the last shareholding reduction in accordance with the short-swing trading provisions under the Securities Law.

Before the Company grants restricted shares to the Incentive Participants, it is required to convene a Board meeting to consider whether conditions on grant of Restricted Shares to the Incentive Participants in relation to the Incentive Scheme are satisfied and the Company's independent Directors and the Supervisory Committee shall express clear opinions; the law firm shall issue a legal advice on whether the conditions on grant of restricted shares to the Incentive Participants are satisfied. The Board of the Company shall grant Restricted Shares to qualified Incentive Participants and complete relevant procedures including capital verification, announcement and registration.

The date of Grant (including the date of Reserved Grant) will comply with the Listing Rules including the Model Code.

III. Locking of the Incentive Scheme (限售期) and unlocking arrangement

The locking period for the restricted shares granted under the Incentive Scheme shall be 18 months, 30 months and 42 months from the date of registration of the grant. The restricted shares granted to the Incentive Participants under the Incentive Scheme shall not be transferred or assigned or used as guarantee or for repayment of debts. The shares and dividends obtained by the Incentive Participants due to the grant of the restricted shares not yet unlocked to them arising from capitalisation issue, distribution of dividends, bonus issue, share sub-division, etc. shall be subject to locking in accordance with the Incentive Scheme.

Upon unlocking, the Company shall proceed with the unlocking for the Incentive Participants who satisfy unlocking conditions, and the restricted shares held by Incentive Participants who do not satisfy the unlocking conditions shall be repurchased and cancelled by the Company.

The unlocking period and unlocking schedule for the restricted shares under the First Grant of the Incentive Scheme are shown in the table below:

Unlocking arrangement	Unlocking time	Unlocking proportion
First unlocking period for the restricted shares under the First Grant	Commencing on the first trading day after expiry of the 18-month period from the record date and ending on the last trading day of the 30-month period from the record date	30%

Unlocking arrangement	Unlocking time	Unlocking proportion
Second unlocking period for the restricted shares under the First Grant	Commencing on the first trading day after expiry of the 30-month period from the record date and ending on the last trading day of the 42-month period from the record date	30%
Third unlocking period for the restricted shares under the First Grant	Commencing on the first trading day after expiry of the 42-month period from the record date and ending on the last trading day of the 54-month period from the record date	40%

For the restricted shares subject to reserved grant under the Incentive Scheme, upon the expiry of 18 months from the grant date, if the unlocking conditions are satisfied, the Incentive Participants can apply for unlocking in two installments at the proportion of 50% and 50% within the unlocking period. Details are as follows:

Unlocking arrangement	Unlocking time	Unlocking proportion
First unlocking period for the restricted shares reserved	Commencing on the first trading day after expiry of the 18-month period from the record date and ending on the last trading day of the 30-month period from the record date	50%
Second unlocking period for the restricted shares reserved	Commencing on the first trading day after expiry of the 30-month period from the record date and ending on the last trading day of the 42-month period from the record date	50%

During the unlocking period, if the unlocking conditions are satisfied in the current period, the Incentive Participants may apply to unlock the corresponding proportion of the restricted shares. The shares for which the unlocking is not applied as scheduled will no longer be unlocked and shall be repurchased and cancelled by the Company. If any installment does not meet the

unlocking conditions in unlocking period, the restricted shares that can be unlocked in the current period shall not be unlocked and shall be repurchased and cancelled by the Company.

IV. Lock-up period (禁售期)

The lock-up period refers to the period of time during which the restricted shares granted to the Incentive Participants is unlocked but shall not be sold. The lockup arrangement under the Incentive Scheme shall be implemented in accordance with the requirements of the Company Law, the Securities Law and the relevant laws, regulations and regulatory documents as well as the Articles of Association. Specific contents are as follows:

1. Where an Incentive Participant is a director or a member of the senior management of the Company, the number of shares of the Company which may be transferred by the Incentive Participant each year during his term of office shall not exceed 25% of the total number of the shares of the Company held by him. No shares of the Company held by him shall be transferred within six months after his termination of office;
2. Where an Incentive Participant is a director or a member of the senior management of the Company and he/she disposes of any shares of the Company within six months after acquisition or buys back such shares within six months after disposal, all gains arising therefrom shall be accounted to the Company and the Board will collect all such gains;
3. Shareholding reduction by an Incentive Participant shall be in compliance with relevant requirements including the Several Provisions on Shareholding Reduction 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》) and the Implementation Rules for Shareholding Reduction by Shareholders, Directors, Supervisors and Senior Management of Listed Companies on Shenzhen Stock Exchange (《深圳證券交易所上市公司股東及董事、監事、高級管理人員減持實施細則》), the Listing Rules (including the Model Code) and the relevant securities law in Hong Kong;
4. If, during the Validity Period of the Incentive Scheme, there is any amendment to the requirements regarding transfer of shares by a director and a member of the senior management of the Company under the Company Law, the Securities Law and other relevant laws, regulations, regulatory documents and the Articles of Association, such amended requirements thereunder shall apply to the shares transferred by the Incentive Participants during the relevant times.

CHAPTER VII GRANT PRICE OF THE RESTRICTED SHARES AND THE BASIS FOR DETERMINATION THEREOF**I. Grant Price of the Restricted Shares under the First Grant**

The Grant Price of the Restricted Shares under the First Grant shall be RMB6.96 per Share. Upon fulfillment of Grant conditions, each Incentive Participant is entitled to purchase Restricted Shares newly issued to the Incentive Participants by the Company at the price of RMB6.96 per share.

II. Basis for determination of the Grant Price of the Restricted Shares under the First Grant

The Grant Price of the Restricted Shares under the First Grant shall not be lower than the par value of the shares, and shall be the higher of the following:

- (i) 50% of the average trading price of RMB13.91 of the shares of the Company for the last trading day preceding the date of announcement of the Incentive Scheme (the total transaction value of shares for the last trading day/total trading volume of shares for the last trading day), being RMB6.96 per share;
- (ii) 50% of the average trading price of RMB12.97 of the shares of the Company for the last 20 trading days preceding the date of announcement of the Incentive Scheme (the total transaction value of shares for the last 20 trading days/total trading volume of shares for the last 20 trading days), being RMB6.49 per share;

III. Basis for determination of the Grant Price of the reserved Restricted Shares

Before each grant of the reserved Restricted Shares, the Company shall hold a Board meeting to pass the relevant resolution, and shall disclose an announcement on such grant. The Grant Price of the reserved Restricted Shares shall not be lower than the par value of the shares, and shall be the higher of the following:

- (i) 50% of the average price of the shares of the Company for the last trading day preceding the date of announcement of the Board resolution on the grant of the reserved Restricted Shares;
- (ii) 50% of the average price of the shares of the Company for the last 20 trading days preceding the date of announcement of the Board resolution on the grant of the reserved Restricted Shares.

CHAPTER VIII CONDITIONS ON GRANT AND UNLOCKING OF THE RESTRICTED SHARES**I. Conditions on grant of the Restricted Shares**

Restricted shares may be granted to the Incentive Participants by the Company upon satisfaction of all of the following conditions. In other words, restricted shares cannot be granted to Incentive Participants if any of the following conditions of grant is not satisfied.

- (i) There is no occurrence of any of the following events on the part of the Company:
 - 1. issue of an auditors' report with adverse opinion or which indicates an inability to give opinion by a certified public accountant with respect to the financial report of the Company for its most recent accounting year;
 - 2. issue of an auditors' report with adverse opinion or which indicates an inability to give opinion by a certified public accountant with respect to the internal control of the financial report of the Company for its most recent accounting year;
 - 3. failure to conduct profit distribution in accordance with laws and regulations, the Articles of Association and public undertakings during the 36 months after listing;
 - 4. prohibition from implementation of a share incentive scheme by laws and regulations;
 - 5. any other circumstances as determined by the CSRC.
- (ii) There is no occurrence of any of the following events on the part of the Incentive Participants:
 - 1. being subject to any identification as an ineligible personnel by a stock exchange in the last 12 months;
 - 2. being subject to any identification as an ineligible personnel by the CSRC and its resident agencies in the last 12 months;
 - 3. imposition of administrative penalties or measures prohibiting the Incentive Participants from entering into the market by the CSRC and its resident agencies in the last 12 months due to material noncompliance of laws or regulations;
 - 4. circumstances under which the Incentive Participant is prohibited from acting as a director and a member of the senior management of the Company pursuant to the Company Law;

5. circumstances under which the Incentive Participants are not allowed by the laws and regulations to participate in share incentive schemes of a listed company;
6. any other circumstances as determined by the CSRC.

II. Conditions on unlocking of the Restricted Shares

During Unlocking Period, the following conditions must be fulfilled before the Restricted Shares granted to the Incentive Participants can be unlocked:

- (i) There is no occurrence of any of the following events on the part of the Company:
 1. issue of an auditors' report with adverse opinion or which indicates an inability to give opinion by a certified public accountant with respect to the financial report of the Company for its most recent accounting year;
 2. issue of an auditors' report with adverse opinion or which indicates an inability to give opinion by a certified public accountant with respect to the internal control of the financial report of the Company for its most recent accounting year;
 3. failure to conduct profit distribution in accordance with laws and regulations, the Articles of Association and public undertakings during the 36 months after listing;
 4. prohibition from implementation of a share incentive scheme by laws and regulations;
 5. any other circumstances as determined by the CSRC.
- (ii) There is no occurrence of any of the following events on the part of the Incentive Participants:
 1. being subject to any identification as an ineligible personnel by a stock exchange in the last 12 months;
 2. being subject to any identification as an ineligible personnel by the CSRC and its resident agencies in the last 12 months;
 3. imposition of administrative penalties or measures prohibiting the Incentive Participant from entering into the market by the CSRC and its resident agencies in the last 12 months due to material noncompliance of laws or regulations;

4. circumstances under which the Incentive Participant is prohibited from acting as a director and a member of the senior management of the Company pursuant to the Company Law;
5. circumstances under which the Incentive Participants are not allowed by the laws and regulations to participate in share incentive schemes of a listed company;
6. any other circumstances as determined by the CSRC.

In case the Company has any of the circumstances specified in the above sub-paragraph (i) during the implementation of the Incentive Scheme, all the restricted shares that have been granted to the Incentive Participants under the Incentive Scheme but have not been unlocked shall be repurchased and cancelled by the Company and the repurchase price shall be the sum of the grant price and the interests on the bank deposits of the same term; in case any Incentive Participant has any of the circumstances specified in the above sub-paragraph (ii), the Company will terminate its right to participate in the Incentive Scheme, and the restricted shares that have been granted to the Incentive Participant under the Incentive Scheme but have not been unlocked shall be repurchased and cancelled by the Company and the repurchase price shall be the grant price.

(iii) Performance appraisal targets at the Company level

The Incentive Scheme is subject to evaluation once an accounting year. The performance appraisal targets of the First Grant are as follows:

Unlocking Period	Performance appraisal targets
First Unlocking Period for the restricted shares under the First Grant	On the basis of the operating income after reasonable adjustments in 2018, the growth rate of the operating income for 2019 shall not be lower than 10%
Second Unlocking Period for the restricted shares under the First Grant	On the basis of the operating income after reasonable adjustments in 2018, the growth rate of the operating income for 2020 shall not be lower than 20%
Third Unlocking Period for the restricted shares under the First Grant	On the basis of the operating income after reasonable adjustments in 2018, the growth rate of the operating income for 2021 shall not be lower than 30%

Certain Restricted Shares are reserved under the scheme for unlocking in twice when the Company meets the following performance targets:

Unlocking Period	Performance appraisal targets
First Unlocking Period for the reserved Restricted Shares	On the basis of the operating income after reasonable adjustments in 2018, the growth rate of the operating income for 2020 shall not be lower than 20%
Second Unlocking Period for the reserved Restricted Shares	On the basis of the operating income after reasonable adjustments in 2018, the growth rate of the operating income for 2021 shall not be lower than 30%

Notes:

1. Since the Company completed the acquisition of 82% equity interest of Dongfang Dairy in early November 2018, it became the sole shareholder of Dongfang Dairy, and incorporated its accounts for consolidation. The Company's future annual financial statements will merge the data of Dongfang Dairy. In order to ensure the accuracy, rationality and scientificity of the future performance evaluation indicators of this equity incentive plan, it is assumed that the Company would have completed the 82% equity acquisition of Dongfang Dairy in early 2018, that is, the accounts of Dongfang Dairy would have been consolidated in January 2018, and the Company's 2018 annual operating income has been reasonably adjusted, and adopted the reasonably adjusted 2018 annual operating income as the benchmark for the equity incentive performance evaluation. According to the "Preparation Review Report" issued by Ruihua Certified Public Accountants (Special General Partnership), the Company's operating income after reasonable adjustment in 2018 would be RMB836.4894 million.
2. Before unlocking of the restricted shares granted under the Incentive Scheme, for the Company's material asset acquisition schemes including brand mergers and acquisitions, it is required to deduct the effects on the Company's revenue arising from the implementation of the material asset acquisition schemes.
3. In the event the Company fails to meet the performance appraisal targets above, all restricted shares which can be unlocked by the Incentive Participants in the respective assessment year shall not be unlocked and shall be repurchased and cancelled by the Company at the Grant Price plus the interest rate of bank deposits of the same term.

(iv) Performance appraisal requirements at the Incentive Participant level

Incentive Participants can only unlock restricted shares if the Company achieved the abovementioned performance appraisal targets and individuals' post performance appraisal standards in the previous year. The specific unlocking ratio shall be determined based on the individual performance appraisal results of the Incentive Participants.

The individual performance appraisal of the Incentive Participants shall be conducted annually in accordance with the Assessment Management Measures for Implementation of the 2019 Incentive Scheme for Restricted Shares of Lanzhou Zhuangyuan Pasture Co., Ltd. (《蘭州莊園牧場股份有限公司2019年限制性股票激勵計劃實施考核管理辦法》) The assessment results shall be determined in accordance with individuals' performance appraisal and evaluation indicators. In principle, the performance evaluation results are

classified into four grades, i.e. excellent (A), good (B), general (C), and poor (D), of which, A/B/C are qualified and D is unqualified. The appraisal and evaluation form is applicable to the assessment objects.

Appraisal results		Qualified		Unqualified
Standard grade	Excellent (A)	Good (B)	General (C)	Poor (D)
Standard coefficient	1.0	1.0	0.8	0

Individuals' actual unlock limit for the current year = standard coefficient × limit planned to be unlocked by individuals in the current year. The restricted shares which cannot be unlocked by the Incentive Participants in the year of appraisal shall be repurchased and cancelled by the Company.

III. Scientificity and Reasonableness of the Appraisal Indicators

The restricted shares appraisal indicators of the Company are categorised into two levels, i.e. performance appraisal at the Company level and performance appraisal at individual level.

The performance indicator at the Company level is the growth rate of the operating income, which is an important indicator reflecting the Company's operating conditions and profitability and can establish a good image of capital market. After reasonable prediction and taking into account the incentive effect of the Incentive Scheme, the Company has set the operating income after reasonable adjustments for 2018 as the basis for the Incentive Scheme of restricted shares. The operating income growth rate for 2019 to 2021 is not less than 10%, 20% and 30% of the performance appraisal target, respectively.

In addition to the performance appraisal at the Company level, the Company has established a strict performance appraisal system for the Incentive Participants, which evaluates comprehensively the performance of Incentive Participants in an accurate and all-round manner. The Company will determine whether the Incentive Participants meet the unlocking conditions and the unlocking proportion based on their performance appraisal results for the previous year.

Given the above, the appraisal system for the Incentive Scheme of the Company is all-round, comprehensive and operable, and the appraisal indicators are scientific and reasonable, which are binding on the Incentive Participants and can serve the appraisal goal of the Incentive Scheme.

Such arrangement may provide incentives to the Incentive Participants to remain employed with the Company and thereby enable the Company to benefit from the continued services of such Incentive Participants during such period. The Incentive Scheme requires Participants and the Company to reach performance appraisal targets before the Restricted Shares are unlocked. In addition, the performance target requirements provide incentives to the Incentive Participants to motivate their pro-activeness and creativity in using their best endeavours to facilitate the growth and development of the Company.

CHAPTER IX ADJUSTMENT METHOD AND PROCEDURES OF THE INCENTIVE SCHEME OF RESTRICTED SHARES**I. Method for adjustment of the number of Restricted Shares**

In the event of any capitalisation issue, bonus issue, sub-division, rights issue or share consolidation of the Company in the period from the date of announcement on the Incentive Scheme to the completion of registration of restricted shares by the Incentive Participants, the number of restricted shares shall be adjusted accordingly. The adjustment method is as follows:

(I) Capitalisation issue, bonus issue and sub-division of share capital

$$Q = Q_0 \times (1 + n)$$

Where: Q_0 represents the number of Restricted Shares before the adjustment; n represents the ratio of increase per Share resulting from the issue of Shares by conversion of capital reserve, bonus issue or subdivision of Shares (i.e. the number of Shares increased per Share upon issue of Shares by conversion of capital reserve, bonus issue or subdivision of Shares); Q represents the adjusted number of Restricted Shares.

(II) Rights issue

$$Q = Q_0 \times P_1 \times (1 + n) \div (P_1 + P_2 \times n)$$

Where: Q_0 represents the number of Restricted Shares before the adjustment; P_1 represents the closing price as at the record date; P_2 represents the price of the rights issue; n represents the ratio of the rights issue (i.e. the ratio of the number of Shares to be issued under the rights issue to the total share capital of the Company before the rights issue); Q represents the adjusted number of Restricted Shares.

(III) Share consolidation

$$Q = Q_0 \times n$$

Where: Q_0 represents the number of Restricted Shares before the adjustment; n represents the ratio of consolidation of Shares (i.e. one Share shall be consolidated into n Shares); Q represents the adjusted number of Restricted Shares.

(IV) New issue of shares

In the event of new issue of shares, no adjustment shall be made to the number of restricted shares.

II. Method of adjusting the grant price of the Restricted Shares

In the event that, from the date of this announcement to the registration of the Restricted Shares by the Participants, any issue of Shares by capitalisation issue, bonus issue, sub-division, rights issue or consolidation of Shares or dividend distribution has been made, an adjustment to the

grant price of Restricted Shares shall be made by the Company accordingly. The method of adjustment in principle is set out below:

- (I) Issue of Shares by capitalisation issue, bonus issue and sub-division of Shares

$$P = P_0 / (1 + n)$$

Where: P_0 represents the grant price before the adjustment; n represents the ratio of increase per Share resulting from the issue of Shares by conversion of capital reserve, bonus issue and sub-division of Shares to each Share; P represents the adjusted grant price.

- (II) Rights issue

$$P = P_0 \times (P_1 + P_2 \times n) \div [P_1 \times (1 + n)]$$

Where: P_0 represents the grant price before the adjustment; P_1 represents the closing price as at the record date; P_2 represents the price of the rights issue; n represents the ratio of the rights issue (i.e. the ratio of the number of Shares to be issued under the rights issue to the total share capital of the Company before the rights issue); P represents the adjusted grant price.

- (III) Consolidation of Shares

$$P = P_0 \div n$$

Where: P_0 represents the grant price before the adjustment; n represents the ratio of consolidation of Shares; P represents the adjusted grant price.

- (IV) Dividend distribution

$$P = P_0 - V$$

Where: P_0 represents the grant price before the adjustment; V represents the dividend per Share; P represents the adjusted grant price. P shall be greater than 1 after the dividend distribution.

- (V) Additional issue of new shares

Under the circumstance of additional issue of new shares, no adjustment will be made on the grant price of the Restricted Shares.

III. Adjustment procedures for the Incentive Scheme of restricted shares

The Board of the Company shall pass a resolution for adjusting the number and the grant price of restricted shares upon occurrence of any of the abovementioned circumstances. The Company shall engage a legal adviser to give professional advice to the Board on whether such adjustment is in compliance with the Management Measures, the Listing Rules, the Articles of Association and the Incentive Scheme. After the resolution for above-mentioned adjustment is

considered and passed by the Board, the Company shall disclose an announcement on the resolution by the Board timely, and announce the opinions of the legal adviser. The adjustment to the quantity, price or other terms due to other reasons shall be subject to resolution of the Board of the Company and consideration and approval at the general meeting.

CHAPTER X ACCOUNTING TREATMENT OF THE RESTRICTED SHARES

In accordance with the requirements of the Accounting Standards for Enterprises No.11 –Payment of Shares, the Company shall, during the Lock-Up Period, on each balance sheet date, adjust the estimated number of Restricted Shares that may be unlocked in accordance with the latest number of participants who have fulfilled the Unlocking Conditions and the performance indicators, and recognise the services received as the relevant costs or expenses and capital reserve in accordance with the fair value of the Restricted Shares on the Grant Date.

I. Accounting treatment**(i) Grant Date**

The capital and capital reserve shall be recognized according to the status of the grant of Restricted Shares to the Incentive Participants by the Company.

(ii) Every balance sheet date during the Lock-up Period

Pursuant to the requirements of the accounting standards, the services provided by the staff will be recognised as costs and the owners' equity or liability will be recognised on every balance sheet date during the Lock-up Period.

(iii) Unlocking Date

On the Unlocking Date, if the Unlocking Conditions are fulfilled, the Restricted Shares shall be unlocked; if all or part of the Shares are lapsed or cancelled since the same have not been unlocked, such Shares will be dealt with pursuant to the accounting standards and relevant requirements.

(iv) Fair value of the Restricted Shares and the method for determination thereof

In accordance with the relevant requirements of the Accounting Standards for Enterprises No. 11 – Payment of Shares and the Accounting Standards for Enterprises No. 22 –Recognition and Measurement of Financial Instruments, an estimation was conducted on the fair value of the Restricted Shares at the current closing price (formal calculation to be conducted at grant). Based on the fair value of each Restricted Share = market value of the shares of the Company (estimated closing price on 11 March 2019 – RMB14.16) – Grant Price (RMB6.96), the calculated fair value per Restricted Share is RMB7.20.

II. Estimated impact on the operating performance of each of the period due to implementation of the Incentive Scheme

The fair value of the Restricted Shares on the Grant Date which is determined in accordance with the relevant valuation method, and the costs of payment of Shares under the Scheme which is determined finally, will be amortized in accordance with the unlocking percentage during the implementation of the scheme. The incentive costs incurred from the Incentive Scheme will be charged to the recurring profit and loss.

APPENDIX I 2019 INCENTIVE SCHEME OF RESTRICTED SHARES

According to the requirement of the PRC Accounting Standards, assuming that the grant will be made in June 2019, the impact of the Restricted Shares granted under the Incentive Scheme on costs for each period is as follows:

Number of Restricted Shares under the First Grant (0'000 shares)	Costs to be amortized (RMB0'000)	2019 (RMB0'000)	2020 (RMB0'000)	2021 (RMB0'000)	2022 (RMB0'000)
419.28	3,018.82	655.51	1,311.03	707.27	345.01

Notes:

1. The above results do not represent the final accounting costs. The actual accounting costs are related to the actual Grant Date, the Grant Price and the number of grant, as well as the actual effective and lapsed quantities, and the possible dilutive effects are brought to the attention of shareholders.
2. The final result of the above impact on the Company's operating results will be subject to the annual audit report issued by the accounting firm.

According to the preliminary evaluation by the Company based on the information available, without taking into account the stimulus effects of the Incentive Scheme on the results of the Company, the amortization of the costs of Restricted Shares shall affect the net profit of each year during the validity period. Taking into consideration the positive impact of the Incentive Scheme of Restricted Shares on the development of the Company, such as motivating the management team, increasing the operational efficiency, and reducing agent costs, the benefits generated from the improvement in the Company's results due to the Incentive Scheme shall far exceed the increase in expenses.

CHAPTER XI PROCEDURES OF IMPLEMENTATION OF THE INCENTIVE SCHEME OF RESTRICTED SHARES**I. Procedures for the Incentive Scheme of Restricted Shares to take effect**

- (i) The Remuneration and Assessment Committee of the Board is responsible for drafting the Incentive Scheme and the Assessment Management Measures for Implementation of the 2019 Incentive Scheme of Restricted Shares of Lanzhou Zhuangyuan Pasture Co., Ltd., and submitting the same to the Board for consideration.
- (ii) The Board of the Company shall make a resolution on the draft of the Incentive Scheme and the Assessment Management Measures for Implementation of the 2019 Incentive Scheme of Restricted Shares of Lanzhou Zhuangyuan Pasture Co., Ltd. When the Board considers the Incentive Scheme, the directors who are Incentive Participants or the directors with whom they have a related relationship shall abstain from voting. The Board shall, after reviewing and passing the Incentive Scheme and performing the publicity and announcement procedures therefor, submit the Incentive Scheme to the general meeting for consideration; meanwhile, the Board shall seek for authorization from the general meeting to be responsible for the implementation of the grant and unlocking of Restricted Shares.
- (iii) The independent directors and the Supervisory Committee shall issue independent opinions on whether the Incentive Scheme facilitates the sustainable development of the Company and whether the Incentive Scheme obviously impairs the interests of the Company and the Shareholders as a whole; the law firm as engaged by the Company shall issue legal opinions on the Incentive Scheme.
- (iv) The Incentive Scheme shall be implemented upon consideration and approval at the general meeting of the Company. Before the general meeting of the Company is convened, the Company shall internally publish the names and the positions of the Incentive Participants for a period of no less than 10 days. The Supervisory Committee shall review the list of Incentive Participants and fully listen to the opinions from the public. The Company shall publish the opinions of the Supervisory Committee on the review and the public opinions in relation to the list of the Incentive Participants 5 days before the Incentive Scheme is considered at a general meeting of the Company.
- (v) When a general meeting of the Company is convened to vote on the Incentive Scheme of Restricted Shares, the independent directors shall solicit proxy voting rights from all shareholders regarding the Incentive Scheme of Restricted Shares. At the general meeting, it is required to vote on the content of the Incentive Scheme under Article 9 of the Management Measures, and the Incentive Scheme shall be passed by more than 2/3 of the voting rights held by the shareholders present at the meeting. When the Incentive Scheme is considered at the Company's general meeting, shareholders who are Incentive Participants or shareholders who have an related relationship with the Incentive Participants shall abstain from voting thereon.
- (vi) The Company shall disclose the announcement on the resolutions of the general meeting, the share Incentive Scheme as considered and approved at the general

meeting, and the self-examination report and legal opinions on the inside information on the insiders' trading of the shares of the Company within six months.

- (vii) After the Incentive Scheme has been considered and approved at the Company's general meeting, the Board of the Company shall, according to the authorisation of the general meeting, grant the equity and complete the registration and announcement procedures within 60 days from the date of consideration and approval of the Incentive Scheme at the general meeting. The Board shall handle the unlocking, repurchase, cancellation and other matters in relation to the Restricted Shares according to the authorisation of the general meeting.

II. Procedures for grant of the Restricted Shares

- (i) Upon consideration and approval of the Incentive Scheme at the general meeting, the Company shall sign an Agreement on Grant of the Restricted Shares with the Incentive Participants in order to define their respective rights and obligations.
- (ii) The Remuneration and Assessment Committee of the Board shall consider and announce whether the conditions of a grant to an Incentive Participant as set out in the share Incentive Scheme have been satisfied before the Company makes a grant to such Incentive Participant, and the scheme for grant of reserved Restricted Shares shall be determined, considered and approved by the Board.

The independent directors and the Supervisory Committee shall both express their views explicitly. The law firm shall issue legal opinions on whether the conditions for the granting of the equity to the Incentive Participants are fulfilled or not.

- (iii) The Supervisory Committee shall verify the grant date of the Restricted Shares and the list of Incentive Participants and issue their views on such verification.
- (iv) If there is any discrepancy between the grant of the equity to the Incentive Participants and the arrangement of the share Incentive Scheme, the independent directors, the Supervisory Committee (in case of charge of the Incentive Participants) and law firm shall all express their views explicitly.
- (v) The Company shall grant Incentive Participants with Restricted Shares and complete the announcement and registration procedures within 60 days after the share Incentive Scheme is considered and approved at the general meeting. The Board of the Company shall disclose the implementation thereof timely by the way of announcement after the completion of registration of the Restricted Shares granted. In the event the Company fails to complete the procedures mentioned above within such 60 days, the Incentive Scheme shall be terminated, and the Board shall disclose the reason for such failure timely and shall not be allowed to consider the share Incentive Scheme in the following three months (the period in which listed companies are not allowed to grant Restricted Shares in accordance with the Management Measures is not included in the 60 days).

Participants eligible for the reserved entitlements shall be confirmed within 12 months after the Incentive Scheme is considered and approved at the general meeting. If Incentive Participants are not confirmed within 12 months, the reserved entitlements will lapse.

- (vi) In case of shareholding reduction by the Company's Directors and senior management as the Incentive Participants within 6 months before the grant of restricted shares, the grant of restricted shares shall be postponed for six months from the date of the last shareholding reduction in accordance with the short-swing trading provisions under the Securities Law.
- (vii) Within the term as specified by the Company, the Incentive Participants shall pay the consideration for subscribing for the Restricted Shares into the account designated by the Company and have it verified and confirmed by a certified public accountant. In case of overdue payment, the Incentive Participants shall be deemed as having waived their right to subscribe for the Restricted Shares.
- (viii) Before the grant of Restricted Shares, the Company shall apply to the SSE. Upon confirmation by the SSE, the Depository and Clearing Company will handle the relevant registration and clearing matter.

III. Procedures for unlocking of the Restricted Shares

- (i) The Company shall confirm whether the Incentive Participants satisfy the Unlocking Conditions before the Unlocking Date. The Board shall consider whether the Unlocking Conditions as set out in the Incentive Scheme have been satisfied. The independent directors and the Supervisory Committee shall both express their views explicitly. The law firm shall issue legal opinions on whether the conditions for the unlocking by the Incentive Participants are fulfilled or not. For the Incentive Participants who satisfy the Unlocking Conditions, the Company shall handle the unlocking at its discretion, and for the Incentive Participants who fail to satisfy the Unlocking Conditions, the Company will repurchase and cancel the Restricted Shares corresponding to the unlocking this time. The Company shall disclose the implementation thereof timely by way of announcement.
- (ii) An Incentive Participant may transfer the unlocked Restricted Shares, but the transfer of shares held by the directors and senior management must be in compliance with requirements of relevant laws, regulations and normative documents.
- (iii) Before the unlocking of Restricted Shares of the Incentive Participants, the Company shall apply to the SSE. Upon confirmation by the SSE, the Depository and Clearing Company will handle the relevant registration and clearing matter.

IV. Procedures for amendments to the Incentive Scheme

- (i) In the event that the Company intends to amend the Incentive Scheme before it is considered and approved at the general meeting, such amendment shall be considered and approved by the Board.

- (ii) In the event that the Company intends to amend the Incentive Scheme after it is considered and approved at the general meeting, such amendment shall be considered and determined at the general meeting given that such amendment shall not result in the following:

1. accelerating the unlocking;
2. reducing the Grant Price.

The Company shall promptly disclose the reasons for and the contents of the amendments. The independent directors and the Supervisory Committee shall express independent opinions on whether the amended scheme is conducive to the sustainable development of the listed company and whether there is any obvious damage to the interests of the listed company and its shareholders as a whole. The law firm shall issue professional opinions on whether the amended scheme complies with the provisions of the Measures and relevant laws and regulations, and whether there is any obvious damage to the interests of the listed company and its shareholders as a whole.

V. Procedures for termination of the Incentive Scheme

- (i) If the Company intends to terminate the implementation of the Incentive Scheme prior to its consideration at the general meeting, such termination shall be considered and approved by the Board.
- (ii) If the Company intends to terminate the implementation of the Incentive Scheme after it is considered and approved at the general meeting, such termination shall be considered and approved at general meeting.
- (iii) The law firm shall issue professional opinions on whether the Company's termination of incentives complies with the provisions of the Measures and relevant laws and regulations, and whether there is any obvious damage to the interests of the Company and its shareholders as a whole.
- (iv) When the Incentive Scheme is terminated, the Company shall repurchase the unlocked Restricted Shares in accordance with the provisions of the Company Law.
- (v) Before repurchase of the Restricted Shares, the Company shall apply to the SSE. Upon confirmation by the SSE, the Depository and Clearing Company will handle the relevant registration and clearing matter.

CHAPTER XII RIGHTS AND OBLIGATIONS OF THE COMPANY/THE INCENTIVE PARTICIPANTS**I. Rights and obligations of the Company**

- (i) The Company shall have the right to construe and execute the Incentive Scheme and shall appraise the performance of Incentive Participants based on the requirements under the Incentive Scheme. If an Incentive Participant fails to fulfill the Unlocking Conditions required under the Incentive Scheme, the Company will repurchase and cancel the Restricted Shares, which have not been unlocked by the Incentive Participant, in accordance with the principles under the Incentive Scheme.
- (ii) The Company shall not provide loans and financial support in any other forms, including providing guarantee for loans, to Incentive Participants for acquiring the Restricted Shares under the Incentive Scheme.
- (iii) The Company shall pay individual income tax and other taxes on behalf of the Incentive Participants in accordance with national laws and regulations on taxation.
- (iv) The Company shall disclose the information disclosure documents related to the Incentive Scheme in a prompt, truthful, accurate and complete way in accordance with the relevant laws, regulations and normative documents, and ensure that there are no false statements, misleading representation or material omissions, and shall discharge the relevant reporting obligation of the Incentive Scheme in a timely manner.
- (v) The Company shall proactively procure the unlocking of Restricted Shares for Incentive Participants who have satisfied with the conditions for unlocking the Restricted Shares pursuant to the Incentive Scheme and the relevant requirements of the CSRC, SSE and the Depository and Clearing Company. The Company shall not be held liable for losses incurred by the Incentive Participants who fail to unlock their Restricted Shares due to reasons caused by the CSRC, SSE and the Depository and Clearing Company.
- (vi) Other relevant rights and obligations as stipulated under the laws and regulations.

II. Rights and obligations of the Incentive Participants

- (i) Incentive Participants shall, based on the requirement of the position, perform their responsibilities diligently in compliance with professional ethic and strive to contribute to the development of the Company.
- (ii) Incentive Participants shall lock up their granted Restricted Shares according to the requirements of the Incentive Scheme.
- (iii) The source of funding of Incentive Participants shall derive from their own funds.
- (iv) The Restricted Shares granted to the Incentive Participants shall not be transferred or assigned or used as guarantee or for repayment of debts during the Lock-up Period.

Upon completion of registration by the Depository and Clearing Company, the Restricted Shares granted to the Incentive Participants shall have the same rights as shares, including but not limited to the rights to dividend, rights to rights issue and voting right conferred by such shares.

Any bonus shares, shares by conversion of capital reserve, rights issue shares and the shares placed to original shareholders upon issuance of new shares which are acquired by the Incentive Participants due to grant of Restricted Shares during the Lock-up Period, shall be locked simultaneously, and shall not be sold in the secondary market or otherwise transferred. The Lock-up Period of such shares is the same as that of the Restricted Shares.

- (v) The gains acquired by the Incentive Participants as a result of the Incentive Scheme shall be subject to individual income tax and other taxes and fees according to tax laws and regulations of the PRC.
- (vi) When transferring the shares after unlocking the underlying shares, the Incentive Participants shall comply with the provisions of the scheme and relevant laws, regulations and normative documents, as well as other rights and obligations under the relevant laws, regulations, normative documents and the Articles of Association.
- (vii) Where false statements or misleading representations in or material omissions from the information disclosure documents of the Company result in non-compliance with condition of grant or arrangements for exercise of the entitlements, Incentive Participants concerned shall return to the Company all interests gained through the share Incentive Scheme calculated from the date when it's confirmed that the relevant information disclosure documents of the Company contain false statements or misleading representations or material omissions.
- (viii) If an Incentive Participant resigns after exercise of the entitlements, it shall not engage in the work which is the same or similar as the Company's business within 2 years; if an Incentive Participant resigns after exercise of the entitlements and engage in the work which is the same or similar as the Company's business within 2 years, the Incentive Participant shall return all the gains arising from the Incentive Scheme to the Company and bear the liquidated damages equivalent to double gains, and in case of losses caused to the Company, and shall also bear the liability for compensation to the Company.
- (ix) Upon consideration and approval of the Incentive Scheme at the general meeting of the Company, the Company will sign an Agreement on Grant of the Restricted Shares with each Incentive Participant in order to define their respective rights and obligations under the Incentive Scheme and other relevant matters.
- (x) Other relevant rights and obligations under the laws, regulations and the Incentive Scheme.

CHAPTER XIII HANDLING UNUSUAL CHANGES TO THE COMPANY OR THE INCENTIVE PARTICIPANTS**I. Handling unusual changes to the Company**

- (I) The Incentive Scheme shall be terminated immediately if any of the following events occurs to the Company, and the restricted shares which have been granted to the Incentive Participants but not yet unlocked shall not be unlocked and shall be repurchased and cancelled by the Company:
1. issue of an auditors' report with adverse opinion or which indicates an inability to give opinion by a certified public accountant with respect to the financial report of the Company for its most recent accounting year;
 2. issue of an auditors' report with adverse opinion or which indicates an inability to give opinion by a certified public accountant with respect to the internal control of the financial report of the Company for its most recent accounting year;
 3. failure to conduct profit distribution in accordance with laws and regulations, the Articles of Association and public undertakings during the 36 months after listing;
 4. prohibition from implementation of a share incentive scheme by laws and regulations;
 5. other circumstances under which the Incentive Scheme shall be terminated as determined by the CSRC.
- (II) The Incentive Scheme shall be implemented normally if any of the following events occurs to the Company:
1. change in control of the Company;
 2. merger and spin-off of the Company.
- (III) Where false statements or misleading statements in or material omissions from the information disclosure documents of the Company result in non-compliance with condition of grant or arrangements for unlocking of the restricted shares, all unlocked restricted shares shall be repurchased and cancelled by the Company. In respect of the restricted shares already unlocked by the Incentive Participants, the Incentive Participants concerned shall return to the Company all interests granted. The Incentive Participants who bear no responsibility for the aforesaid matters and who incur losses as a result of the return of the restricted shares granted may seek compensation from the Company or responsible parties in accordance with relevant arrangements under the Incentive Scheme. The Board shall recover the gain received by the Incentive Participants in accordance with the aforesaid provisions and the relevant arrangements under the Incentive Scheme.

- (IV) In case of changes in the operating environment, market conditions or other factors, if it is difficult to achieve the incentive purpose by further implementation of the Incentive Scheme, the Incentive Scheme may be terminated early with the approval at the Company's general meeting. The restricted shares which have been granted to the Incentive Participants but not yet unlocked shall be repurchased and cancelled by the Company uniformly at the grant price plus the interest rate of bank deposits of the same term.

II. Change in personal particulars of the Incentive Participants

- (I) In case an Incentive Participant has a change in job position but still works in the Company or a subsidiary or holding subsidiary of the Company, the restricted shares granted to him/her will be fully regulated by the procedures as specified in the Incentive Scheme before the change of his/her job position; however, in case an Incentive Participant has a job position change because he/she is not qualified for his/her job, violates laws, disobeys professional ethics, reveals confidential information of the Company, fails to discharge his duties or has willful misconduct, causing damages to the interest or reputation of the Company, or the Company terminates his/her employment contract for any of the above reasons, the restricted shares which have been granted to the Incentive Participant but not yet unlocked shall not be unlocked and shall be repurchased and cancelled by the Company.

- (II) In case an Incentive Participant is disqualified to participate in the Incentive Scheme due to one of the following circumstances, the Board may decide that the restricted shares which have been granted to the Incentive Participant under the Incentive Scheme on the date of occurrence of the circumstance but not yet unlocked shall not be unlocked and shall be repurchased and cancelled by the Company in accordance with the uniform arrangement of the Company:

1. Having been declared an inappropriate candidate by any stock exchange in the past 12 months;
2. Having been declared an inappropriate candidate by the CSRC and its local counterparts in the past 12 months;
3. Having been imposed with administrative penalties or prohibited from market entry by the CSRC and its local counterparts in the past 12 months due to material violation of laws and regulations;
4. Being prohibited from acting as a director or a member of senior management of the Company by the Company Law;
5. Being prohibited from participating in any share incentive scheme of listed companies by laws and regulations;
6. Other circumstances as determined by the CSRC.

- (III) In case an Incentive Participant leaves the Company due to resignation or redundancy, the restricted shares which have been granted to the Incentive Participant but not yet unlocked shall not be unlocked and shall be repurchased and cancelled by the Company. The repurchase price shall be the sum of the grant price plus the interest rate of bank deposits of the same term. The Incentive Participant shall pay individual income tax for the locked restricted shares before he/she leaves the Company.
- (IV) In case an Incentive Participant no longer serves the Company due to retirement, the restricted shares which have been granted to the Incentive Participant but not yet unlocked shall not be unlocked and shall be repurchased and cancelled by the Company. The Incentive Participant shall pay individual income tax for the locked restricted shares before he/she leaves the Company.
- (V) The resignation of Incentive Participants due to incapacity shall be treated depending on the following two circumstances:
1. If an Incentive Participant resigns due to incapacity resulting from performance of duties, the restricted shares granted to the Incentive Participant shall be fully subject to the procedures under the Incentive Scheme in accordance with the case prior to the incapacity, and the individual performance appraisal results will no longer be included in the unlocking conditions;
 2. If an Incentive Participant resigns not due to incapacity resulting from performance of duties, the restricted shares which have been granted to the Incentive Participant but not yet unlocked shall not be unlocked and shall be repurchased and cancelled by the Company. The Incentive Participant shall pay individual income tax for the locked restricted shares before he/she leaves the Company.
- (VI) The death of Incentive Participants shall be treated depending on the following two circumstances:
1. If an Incentive Participant dies due to the performance of duties, the restricted shares which have been granted to the Incentive Participant shall be held by his/her designated heir or lawful heir on his/her behalf. The restricted shares granted to the Incentive Participant but not yet unlocked shall be subject to the procedures under the Incentive Scheme in accordance with the case prior to the death, and the individual performance appraisal results will no longer be included in the unlocking conditions;
 2. If an Incentive Participant dies due to other reasons, the restricted shares which have been granted to the Incentive Participant but not yet unlocked shall not be unlocked and shall be repurchased and cancelled by the Company. The repurchase price shall be the sum of the grant price plus the interest rate of

bank deposits of the same term; the unlocked restricted shares shall be inherited by the heir and the individual income tax on such shares shall be paid by the heir.

- (VII) Other circumstances not stated above and the handling method thereof shall be determined by the Remuneration and Assessment Committee of the Board.

CHAPTER XIV REPURCHASE AND CANCELLATION OF THE RESTRICTED SHARES**I. Principles of repurchase and cancellation of restricted shares**

Upon completion of registration of the restricted shares granted to the Incentive Participants, in case of capitalisation issue, bonus issue, subdivision of share capital, rights issue, share consolidation or distribution of dividends, the restricted shares which have been granted to the Incentive Participants but not yet unlocked shall not be unlocked and the shares of the Company obtained by the Incentive Participants based on such restricted shares shall be repurchased by the Company. If it is required to adjust the repurchase price or quantity in accordance with the Incentive Scheme, adjustment shall be conducted in accordance with the following method.

II. Method for adjustment of repurchase quantity**(I) Capitalisation issue, bonus issue and sub-division of share capital**

$$Q = Q_0 \times (1 + n)$$

Where: Q_0 represents the number of restricted shares prior to adjustment; n represents the rate of increase per share resulting from capitalisation issue, bonus issue and sub-division of share capital (i.e. the increase in number of shares per share upon capitalisation issue, bonus issue and sub-division of the share capital); Q represents the number of restricted shares after adjustment.

(II) Rights issue

$$Q = Q_0 \times P_1 \times (1 + n) \div (P_1 + P_2 \times n)$$

Where: Q_0 represents the number of restricted shares prior to adjustment; P_1 represents the closing price on the record date; P_2 represents the price of rights issue; n represents the ratio of the rights issue (i.e. the ratio of the number of shares to be issued under the rights issue to the total share capital of the Company prior to the rights issue); Q represents the number of restricted shares after adjustment.

(III) Share consolidation

$$Q = Q_0 \times n$$

Where: Q_0 represents the number of restricted shares prior to adjustment; n represents the ratio of share consolidation (i.e. one share shall be consolidated into n share); Q represents the number of restricted shares after adjustment.

(IV) New issue of shares

In the event of new issue of Shares, no adjustment shall be made to the number of restricted shares.

III. Method for adjustment of repurchase price**(I) Capitalisation issue, bonus issue and sub-division of share capital**

$$P = P_0 \div (1 + n)$$

Where: P represents the number of restricted shares after adjustment; P_0 represents the grant price per restricted share; n represents the rate of increase per share resulting from capitalisation issue, bonus issue and subdivision of share capital (i.e. the increase in number of shares per share upon capitalisation issue, bonus issue and sub-division of the share capital).

(II) Rights issue

$$P = P_0 \times (P_1 + P_2 \times n) \div [P_1 \times (1 + n)]$$

Where: P represents the number of restricted shares after adjustment, P_0 represents the grant price per restricted share; P_1 represents the closing price of shares on the record date; P_2 represents the price of rights issue; n represents the ratio of the rights issue (i.e. the ratio of the number of shares to be issued under the rights issue to the total share capital of the Company prior to the rights issue).

(III) Share consolidation

$$P = P_0 \div n$$

Where: P represents the number of restricted shares after adjustment, P_0 represents the grant price per restricted share; n represents the ratio of share consolidation per share (i.e. one share shall be consolidated into n share).

(IV) Distribution of dividends

$$P = P_0 - V$$

Where: P_0 represents the repurchase price per restricted share prior to adjustment; V represents the amount of dividends per share; P represents the number of restricted shares after adjustment. After the adjustment through distribution of dividends, P shall still be larger than 1.

(V) New issue of shares

In the event of new issue of Shares, no adjustment shall be made to the price of restricted shares.

IV. Procedures for adjustment of repurchase quantity or price

- (I) The Board of the Company shall be authorized at the general meeting of Company to adjust the repurchase price of restricted shares based on the reasons listed above. After adjustment to the repurchase price according to the above provisions, an announcement shall be made in a timely manner.
- (II) The adjustment to the repurchase price of restricted shares for other reasons shall be subject to resolution of the Board and consideration and approval at the general meeting.

V. Procedures of repurchase and cancellation

When the Company implements the repurchase in accordance with the provisions of the Incentive Scheme, it shall promptly convene a Board meeting to consider the repurchase plan and submit the same to the general meeting for approval according to law, and make a timely announcement.

The implementation of the repurchase in accordance with the provisions of the Incentive Scheme shall be subject to the Company Law.

When the Company implements the repurchase in accordance with the provisions of the Incentive Scheme, it is required to apply to the stock exchange for unlocking such restricted shares. Securities registration and clearing institution will conduct registration and settlement procedure thereof upon confirmation by such stock exchange.

CHAPTER XV SETTLEMENT MECHANISM FOR RELEVANT DISPUTES BETWEEN THE COMPANY AND INCENTIVE PARTICIPANTS

The disputes between the Company and the Incentive Participants arising from the execution of the Incentive Scheme, or the Agreement on Grant of the Restricted Shares signed by the parties or in relation to the Incentive Scheme or the Agreement on Grant of the Restricted Shares shall be solved through negotiation and communication by both parties, or mediation by the Remuneration and Assessment Committee of the Board of the Company. If relevant disputes are not solved through the abovementioned methods within 60 days from the date of occurrence of the disputes, either party is entitled to file a lawsuit with the people's court with jurisdiction in the place where the Company is located.

CHAPTER XVI SUPPLEMENTARY PROVISIONS

- I. The Incentive Scheme shall be formulated, interpreted and amended by the Board of the Company.
- II. The Incentive Scheme shall become effective upon consideration and approval at the general meeting of the Company.

The Board of Directors of Lanzhou Zhuangyuan Pasture Co., Ltd.
11 March 2019

Lanzhou Zhuangyuan Pasture Co., Ltd.

**Assessment Management Measures for Implementation of the 2019
Incentive Scheme of Restricted Shares**

In order to further establish and improve the long-term incentive mechanism of Lanzhou Zhuangyuan Pasture Co., Ltd. (the “Company”), attract and retain excellent talents, fully mobilize the enthusiasm of the Company’s directors, senior management, middle management and core technical (business) employees, effectively combine the interests of shareholders, the Company and employees so that all parties will pay joint concern to the long-term development of the Company, the Company has prepared the Assessment Management Measures for Implementation of the 2019 Incentive Scheme of restricted shares of Lanzhou Zhuangyuan Pasture Co., Ltd. (Draft) (the “Incentive Scheme” or “Share Incentive Scheme”) under the premise of fully safeguarding the interests of shareholders and following the principle of linking income with contribution.

In order to guarantee the smooth implementation of the Share Incentive Scheme of the Company, these measures are prepared in accordance with the Company Law of the People’s Republic of China, the Securities Law of the People’s Republic of China, the Management Measures for Share Incentives of Listed Companies and other relevant laws, administrative regulations, normative documents and the Articles of Association and based on the actual conditions of the Company.

Article 1 Purpose of Assessment

The purposes of these measures are to strengthen the planned implementation of the Company’s Share Incentive Scheme, quantify the specific objectives set out in the Company’s Share Incentive Scheme, promote the scientific, standardized and institutionalized management of assessment of incentive participants, and ensure the realization of the performance indicators under the Company’s Share Incentive Scheme; at the same time, these measures guide the incentive participants to improve work performance and working competence and evaluate employees’ performance and contribution in an objective and fair way, to provide an objective and comprehensive evaluation basis for the implementation of the Incentive Scheme.

Article 2 Principles of Assessment

- (i) Assessment and evaluation of the incentive participants shall be conducted in strict accordance with these measures following the principles of fairness, justice, and openness;
- (ii) The assessment indicators shall be combined with the Company’s medium and long-term development strategy and annual business objectives; as well as the performance, working competence and work attitude of the incentive participants.

Article 3 Scope of Assessment

These measures apply to all incentive participants as determined by the Incentive Scheme, including directors, senior management, middle management, and core technical (business)

APPENDIX II ASSESSMENT MANAGEMENT MEASURES FOR IMPLEMENTATION OF THE 2019 INCENTIVE SCHEME OF RESTRICTED SHARES

employees serving in the Company (including its subsidiaries), excluding independent directors, supervisors, and shareholders individually or in aggregate holding 5% or more of the shares of the Company or the de facto controllers and their spouses, parents or children. All incentive participants must sign a labour contract or employment contract with the Company or its subsidiaries during the assessment period of the Incentive Scheme.

Article 4 Assessment Agency and Implementing Agency

- (i) The Remuneration and Assessment Committee of the Board (hereinafter referred to as the “Remuneration Committee”) is responsible for leading and reviewing the assessment of the incentive participants.
- (ii) The Human Resources Department of the Company is responsible for the specific assessment and reporting to the Remuneration Committee.
- (iii) The Human Resources Department, Finance Department and other relevant departments of the Company are responsible for the collection and provision of relevant assessment data, and are responsible for the authenticity and reliability of the data.
- (iv) The Board of the Company is responsible for reviewing the assessment results.

Article 5 Performance Assessment Indicators and Standards

The unlocking of the restricted shares granted to the incentive participants will depend on the assessment results of the Company and the incentive participants.

- (i) Performance assessment targets at the Company level

In the accounting year of 2019-2021, the Incentive Scheme evaluates the Company’s performance indicators by years and the achievement of the performance assessment targets is one of the conditions for unlocking the Restricted Sales. The performance assessment targets of the Incentive Scheme are shown in the following table:

Unlocking Period	Performance assessment targets
First Unlocking Period for the restricted shares under the First Grant	On the basis of the operating income after reasonable adjustments in 2018, the growth rate of the operating income for 2019 shall not be lower than 10%
Second Unlocking Period for the restricted shares under the First Grant	On the basis of the operating income after reasonable adjustments in 2018, the growth rate of the operating income for 2020 shall not be lower than 20%
Third Unlocking Period for the restricted shares under the First Grant	On the basis of the operating income after reasonable adjustments in 2018, the growth rate of the operating income for 2021 shall not be lower than 30%

APPENDIX II ASSESSMENT MANAGEMENT MEASURES FOR IMPLEMENTATION OF THE 2019 INCENTIVE SCHEME OF RESTRICTED SHARES

Certain restricted shares are reserved under the scheme for unlocking in twice when the Company meets the following performance targets:

Unlocking Period	Performance assessment targets
First Unlocking Period for the reserved restricted shares	On the basis of the operating income after reasonable adjustments in 2018, the growth rate of the operating income for 2020 shall not be lower than 20%
Second Unlocking Period for the reserved restricted shares	On the basis of the operating income after reasonable adjustments in 2018, the growth rate of the operating income for 2021 shall not be lower than 30%

Notes:

1. Since the Company completed the acquisition of 82% equity interest of Dongfang Dairy in early November 2018, it became the sole shareholder of Dongfang Dairy, and incorporated its accounts for consolidation. The Company's future annual financial statements will merge the data of Dongfang Dairy. In order to ensure the accuracy, rationality and scientificity of the future performance evaluation indicators of this equity incentive plan, it is assumed that the Company would have completed the 82% equity acquisition of Dongfang Dairy in early 2018, that is, the accounts of Dongfang Dairy would have been consolidated in January 2018, and the Company's 2018 annual operating income has been reasonably adjusted, and adopted the reasonably adjusted 2018 annual operating income as the benchmark for the equity incentive performance evaluation. According to the "Preparation Review Report" issued by Ruihua Certified Public Accountants (Special General Partnership), the Company's operating income after reasonable adjustment in 2018 would be RMB836.4894 million.
2. Before unlocking of the restricted shares granted under the Incentive Scheme, for the Company's material asset acquisition schemes including brand mergers and acquisitions, it is required to deduct the effects on the Company's revenue arising from the implementation of the material asset acquisition schemes.
3. In the event the Company fails to meet the performance assessment targets above, all restricted shares which can be unlocked by the incentive participants in the respective assessment year shall not be unlocked and shall be repurchased and cancelled by the Company at the Grant Price plus the interest rate of bank deposits of the same term.

During the Unlocking Period, the Company shall proceed with unlocking for the incentive participants who have satisfied the Unlocking Conditions. If, during each Unlocking Period, the current performance level of the Company fails to meet the conditions on performance assessment targets, the restricted shares of all the incentive participants which are eligible for unlocking in the year of assessment shall not be unlocked and shall be repurchased and cancelled by the Company at the sum of Grant Price plus the interest rate of bank deposits of the same term.

- (ii) The assessment of incentive participants at individual level shall be implemented in accordance with the rules on performance assessment of the Company. The results of individual annual performance assessment are divided into two grades: qualified and unqualified.

Under the premise of achievement of the Company's performance targets, if the incentive participants' personal performance assessment results of the previous year are qualified, the restricted shares granted in the current year will still be unlocked according to the procedures stipulated in the Incentive Scheme; If the incentive participants' performance assessment results of

APPENDIX II ASSESSMENT MANAGEMENT MEASURES FOR IMPLEMENTATION OF THE 2019 INCENTIVE SCHEME OF RESTRICTED SHARES

the previous year are unqualified, the restricted shares that have been granted but have not been unlocked in the current year shall not be unlocked, and shall be repurchased and cancelled by the Company at the sum of the Grant Price plus the interest rate of bank deposits of the same term.

Article 6 Assessment Procedures

The Human Resources Department and relevant departments of the Company are responsible for the specific assessment under the guidance of the Remuneration and Assessment Committee of the Board and saving the assessment results. On this basis, a performance assessment report shall be submitted to the Remuneration Committee of the Board, and the Board of the company is responsible for reviewing the assessment results.

Article 7 Period and Times of Assessment

(i) Assessment Period

The accounting year prior to unlocking of each installment of restricted shares of the incentive participants.

(ii) Times of assessment

The assessment year of the Incentive Scheme is three accounting years of 2019-2021, and the assessment shall be conducted once a year.

Article 8 Management of Assessment Results

(i) Feedback and application of assessment results

1. The assessment objects are entitled to know the assessment results. The direct supervisor of the employees shall inform the assessment objects of assessment results within 5 working days after the completion of the assessment.
2. If the assessment objects have objections against the results of the assessment, they can communicate with the Human Resources Department. If the objections cannot be resolved through communication, the assessment objects may appeal to the Remuneration Committee which shall review and determine the final assessment result or grade within 10 working days.
3. The assessment results shall be the basis for the unlocking of restricted shares.

(ii) Filing of assessment records

1. After the completion of assessment, the office of the Remuneration Committee shall retain all the records of the performance assessment. The assessment results shall be kept as confidential information.
2. In order to ensure the validity of the performance records, the performance records are not allowed to be altered. If the records are to be revised or re-recorded, it must be signed by the parties concerned.

**APPENDIX II ASSESSMENT MANAGEMENT MEASURES FOR IMPLEMENTATION
OF THE 2019 INCENTIVE SCHEME OF RESTRICTED SHARES**

3. The performance assessment records shall be kept for 10 years. For documents and records that exceed the storage period shall be uniformly destroyed by the Remuneration Committee of the Board of the Company.

Article 9 Supplementary Provisions

- (i) These measures shall be formulated, interpreted and amended by the Board of the Company.
- (ii) If the relevant provisions of these measures conflict with the relevant national laws, administrative regulations, normative documents, and the draft of the Share Incentive Scheme, the relevant national laws, administrative regulations, normative documents, and the draft of the Share Incentive Scheme shall prevail. If there are no clear provisions in these measures, the relevant national laws, administrative regulations, normative documents, and the Share Incentive Scheme shall be implemented.
- (iii) These measures shall be subject to consideration and approval at the general meeting of the Company and become effective after the Share Incentive Scheme takes effect.

The Board of Directors of Lanzhou Zhuangyuan Pasture Co., Ltd.
11 March 2019

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS OF DIRECTORS, SUPERVISORS, CHIEF EXECUTIVE OF THE COMPANY

As at the Latest Practicable Date, the interests and short positions of the Directors, supervisors and the chief executive of the Company and their associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were recorded in the register required to be kept pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix 10 to the Listing Rules were as follows:

Name of Director	Nature of interest	Total Number of Shares	Approximate percentage of total issued A Shares/ H Shares (as applicable)	Approximate percentage in the issued share capital of the Company
A Shares				
Ma Hongfu (<i>Note 2</i>)	Beneficial Owner	32,197,400(L) (<i>Note 1</i>)	21.15%	17.19%
	Interested in controlled corporation	45,894,700(L)	30.15%	24.5%

Notes:

- All interest in Shares were long positions.
- Mr. Ma Hongfu holds 97.38% equity interests in Lanzhou Zhuangyuan Investment Share Co., Ltd. (“Zhuangyuan Investment”) and 39.44% equity interests in Gansu Lucky Cow Investment Co., Ltd. (“Lucky Cow”). Under the SFO, he is deemed to be interested in the Shares held by Zhuangyuan Investment and Lucky Cow.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors, supervisors or chief executive of the Company nor their associates had any interest or short positions in the shares, underlying shares or debentures of the Company, its specified undertakings or any of its other associated corporations (within the meaning of Part XV of the SFO) which had to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which were required, pursuant to Section 352 of the SFO and the Companies Ordinance (Cap. 622), to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

3. DISCLOSURE OF INTERESTS BY SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

As at the Latest Practicable Date, as far as known to the Directors, the following persons or entities (not being a Director, a supervisor or a chief executive of the Company) who had interests or short positions in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of Substantial Shareholder	Nature of interest	Total Number of Shares	Approximate percentage of total issued A Shares/ H Shares (as applicable)	Approximate percentage in the issued share capital of the Company
A Shares				
Yang Xiuhua (Note 2)	Interest of Spouse	78,092,100 (L) (Note 1)	51.31%	41.68%
Lanzhou Zhuangyuan Investment Share Co., Ltd. (Note 3)	Beneficial Owner	30,894,700 (L)	20.30%	16.49%
Gansu Lucky Cow Investment Co., Ltd. (Note 3)	Beneficial Owner	15,000,000 (L)	9.85%	8.01%
Chongqing Fukun Venture Investment Centre LLP	Beneficial Owner	3,403,072 (L)	2.24%	1.82%

Name of Substantial Shareholder	Nature of interest	Total Number of Shares	Approximate percentage of total issued A Shares/ H Shares (as applicable)	Approximate percentage in the issued share capital of the Company
H Shares				
Hu Keliang	Beneficial owner	6,960,000 (L)	19.81%	3.72%
Li Yanling (<i>Note 4</i>)	Interests of spouse	6,960,000 (L)	19.81%	3.72%
Wang Wei (<i>Note 5</i>)	Beneficial owner	800,000 (L)	2.28%	0.43%
	Interest of controlled corporation	2,800,000 (L)	7.97%	1.49%
Li Qi (<i>Note 5</i>)	Interests of spouse	3,600,000 (L)	10.25%	1.92%
Venko Limited (<i>Note 5</i>)	Beneficial owner	2,800,000 (L)	7.97%	1.49%
Ren Qifeng (<i>Note 6</i>)	Interest of controlled corporation	3,523,000 (L)	10.03%	1.88%
Ren Songliu (<i>Note 6</i>)	Interests of spouse	3,523,000 (L)	10.03%	1.88%
Technoart Investments Limited (<i>Note 6</i>)	Beneficial owner	3,523,000 (L)	10.03%	1.88%
Hu Jiawu	Beneficial owner	2,800,000 (L)	7.97%	1.49%
Xi Xin (<i>Note 7</i>)	Interests of spouse	2,800,000 (L)	7.97%	1.49%

Notes:

- All interests in Shares were long positions.
- Ms. Yang Xiuhua is the spouse of Mr. Ma Hongfu. Therefore, Ms. Yang Xiuhua is deemed to be interested in the Shares in which Mr. Ma Hongfu is interested by virtue of the SFO.
- Mr. Ma Hongfu holds 97.38% equity interests in Zhuangyuan Investment and 39.44% equity interests in Lucky Cow. Under the SFO, he is deemed to be interested in the Shares held by Zhuangyuan Investment and Lucky Cow.
- Ms. Li Yanling is the spouse of Mr. Hu Keliang. Therefore, Ms. Li Yanling is deemed to be interested in the Shares in which Mr. Hu Keliang is interested by virtue of the SFO.
- The entire issued share capital of Venko Limited is beneficially owned by Mr. Wang Wei who is deemed to be interested in the Shares held by Venko Limited by virtue of the SFO. Mr. Wang Wei is also beneficially interested in 800,000 H Shares. Ms. Li Qi is the spouse of Mr. Wang Wei. Therefore, Ms. Li Qi is deemed to be interested in the Shares in which Mr. Wang Wei is interested by virtue of the SFO.

6. The entire issued share capital of Technoart Investments Limited is beneficially owned by Mr. Ren Qifeng who is deemed to be interested in the Shares held by Technoart Investments Limited by virtue of the SFO. Ms. Ren Songliu is the spouse of Mr. Ren Qifeng. Therefore, Ms. Ren Songliu is deemed to be interested in the Shares in which Mr. Ren Qifeng is interested by virtue of the SFO.
7. Ms. Xi Xin is the spouse of Mr. Hu Jiawu. Therefore, Ms. Xi Xin is deemed to be interested in the Shares in which Mr. Hu Jiawu is interested by virtue of the SFO.

Save as disclosed above, as at the Latest Practicable Date, the Company had not been notified by any other persons (other than Directors, supervisors and chief executive of the Company) who had interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of the Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

4. OTHER INTERESTS OF DIRECTORS

Save as disclosed in this circular and as at the Latest Practicable Date,

(a) Interests in service contracts

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

(b) Interests in assets

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have, since 31 December 2018, being the date to which the latest published audited consolidated accounts of the Company were made up, been acquired or disposed of by or leased to any member of the Group or were proposed to be acquired or disposed of by or leased to, any member of the Group.

(c) Interests in contracts or arrangements

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting at the date of this circular which is significant in relation to the business of the Group.

(d) Competing interest

As at the Latest Practicable Date, save as disclosed above, none of the Directors or their associates was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group other than those businesses to which the Directors and their associates were appointed to represent the interests of the Company and/or the Group.

5. NO MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2018, being the date to which the latest published audited accounts of the Company were made up.

6. CONSENT AND QUALIFICATION OF EXPERT

The Independent Financial Adviser has given and has not withdrawn its written consent to the issue of this circular with its letter of advice included in the form and context in which it appears.

The following sets out the qualifications of the Independent Financial Adviser:

Name	Qualifications
Giraffe Capital Limited	Licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO

As at the Latest Practicable Date, the Independent Financial Adviser did not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, the Independent Financial Adviser did not have any direct or indirect interest in any assets which had been, since 31 December 2018, being the date to which the latest published audited accounts of the Company were made up, acquired or disposed of by or leased to, or were proposed to be acquired or disposed of by or leased to, any member of the Group.

The letter and recommendation given by the Independent Financial Adviser is given as at the date of this circular for incorporation herein.

7. MATERIAL LITIGATION

As at the Latest Practicable Date, so far as the Directors are aware, there was no litigation or claim of material importance pending or threatened against any member of the Group.

8. MISCELLANEOUS

- (i) The joint company secretaries of the Company are Ms. Ho Wing Yan who is an associate member of the Hong Kong Institute of Chartered Secretaries and a holder of the Practitioner's Endorsement issued by such institute, and Ms. Zhang Qianyu.
- (ii) The registered address of the Company is at Sanjiaocheng Village, Sanjiaocheng Town, Yuzhong County, Lanzhou, Gansu Province, the PRC. The principal place of business in the PRC of the Company is at 25–26th Floors, Block B, Shanghui Building of Gansu Province, No. 601, Yanyuan Road, Chengguan District, Lanzhou City, Gansu Province, the PRC.
- (iii) The Company's H Share Registrar in Hong Kong is (1) Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (on or before 9 April 2019) or (2) Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong (on or after 10 April 2019).
- (iv) The Chinese language text of this circular shall prevail over the English language in case of inconsistency.

9. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents are available for inspection at Units 3306-12, 33/F., Shui On Centre, Nos. 6-8 Harbour Road, Wanchai, Hong Kong, during normal office hours (9:00 a.m. to 5:00 p.m.) from the date of this circular up to and including the date of the EGM and the Class Meetings:

- (a) the letter from the Board, the text of which is set out on pages 5 to 42 of this circular;
- (b) the letter from the Independent Board Committee, the text of which is set out on pages IBC-1 to IBC-2 of this circular;
- (c) the letter from the Independent Financial Adviser, the text of which is set out on pages IFA-1 to IFA-30 of this circular;
- (d) the Articles;
- (e) the letter of consent referred to in the paragraph headed "Consent and qualification of expert" in this appendix; and
- (f) the circular.

Lanzhou Zhuangyuan Pasture Co., Ltd.*
Report on the Solicitation of Votes by Independent Director

In accordance with relevant provisions of the Administrative Measures on Share Incentives of Listed Company (《上市公司股權激勵管理辦法》) (hereinafter the “Administrative Measures”) issued by the China Securities Regulatory Commission (hereinafter the “CSRC”), and the Articles of Association (hereinafter the “Articles of Association”) of Lanzhou Zhuangyuan Pasture Co., Ltd. * (hereinafter the “Company”) and pursuant to the appointment by other independent directors, the independent director of the Company, as the soliciting party, hereby solicits voting rights from all shareholders of the Company in connection with the relevant resolutions to be considered at the extraordinary general meeting of the Company to be held on 23 May 2019. CSRC, the Shenzhen Stock Exchange and other government departments make no representation as to the truthfulness, accuracy or completeness of this announcement and take no responsibility for the contents of thereof. Any representation to the contrary is a false statement.

I. REPRESENTATION FROM THE SOLICITING PARTY

In accordance with relevant provisions of the Administrative Measures and the appointment by other independent directors of the Company, I, Zhao Xinmin, as the soliciting party, have prepared and signed this report in connection with the solicitation from shareholders of proxy voting rights on the relevant resolutions to be considered at the extraordinary general meeting. The soliciting party warrants that this report does not contain any false records, misleading statements or material omission, and jointly and severally accepts legal responsibility for the truthfulness, accuracy and completeness of its contents. The soliciting party also warrants that it will not take advantage of this solicitation of voting rights to engage in any insider dealing, market manipulation or any other fraudulent act in securities transactions.

The current solicitation of voting rights is being conducted without any consideration, and is being published on <http://www.cninfo.com.cn> (巨潮資訊網), the information disclosure website designated by the CSRC for SMEs Board. The current solicitation is conducted solely to fulfill the duties of the soliciting party as an independent director of the listed company. The information contained herein has no false or misleading statements. The performance of duties as stated herein will not violate or be in conflict with relevant laws and regulations, the Articles of Association or internal regulations of the Company.

II. CORPORATE INFORMATION AND THE SUBJECT OF SOLICITATION**(I) Basic information**

Name of the Company	:	Lanzhou Zhuangyuan Pasture Co., Ltd.*
Place of listing of shares	:	the Shenzhen Stock Exchange, The Stock Exchange of Hong Kong Limited
Name of stock	:	Zhuangyuan Pasture
Stock Code	:	002910.SZ, 01533.HK
Legal representative	:	Ma Hongfu (馬紅富)
Secretary to the Board	:	Zhang Qianyu (張騫予)
Correspondence address	:	26th Floor, Block B, Shanghai Building of Gansu Province, No. 601, Yanyuan Road, Chengguan District, Lanzhou City, Gansu Province
Postal Code	:	730020
Telephone	:	0931-8753001
Facsimile	:	0931-8753001
E-mail	:	panlai@lzzhuangyuan.com

(II) Subject of solicitation

The open solicitation of proxy voting rights by the soliciting party from all shareholders of the Company in connection with the following resolutions to be considered at the 2019 extraordinary general meeting of the Company:

Resolution 1: the “Resolution on 2019 Restricted Share Incentive Scheme of the Company (draft) and its Summary”

Resolution 2: the “Resolution on the Management Measures for the Implementation of the 2019 Restricted Share Incentive Scheme of the Company”

Resolution 3: the “Resolution on the Authorization to the Board to Deal with Related Issues Regarding the Share Incentive Scheme at the General Meeting”

Resolution 4: the “Resolution on the grant of Restricted A Shares to executive Directors and other connected person grantees under the First Grant”

III. INFORMATION ON THE GENERAL MEETING

For details of the convening of the general meeting, please refer to the Meeting Notice of Lanzhou Zhuangyuan Pasture Co., Ltd.* on the Notice of the Extraordinary Meeting (2018-072) published by the Company on www.cninfo.com.cn on 4 April 2019.

IV. BASIC INFORMATION OF THE SOLICITING PARTY

- (I) The soliciting party of the current solicitation of voting rights is the current independent director of the Company, the basic information of whom is as follows:

Mr. Zhao Xinmin (趙新民), with Chinese nationality but without permanent residency abroad, was born in 1970 and holds a master's degree. He is a senior lawyer in corporate and securities laws with more than 20 years of experience in the securities law sector since 1993. He was a lawyer of Gansu Zheng Tian He Law Firm (甘肅正天合律師事務所) from 1993 to 2001, and a lawyer of Allbright Law Office (上海錦天城律師事務所) from 2001 to 2005. He has been the partner of Shanghai Ke Hui Law Firm* (上海科匯律師事務所) since 2005. He has obtained his qualification as an independent director.

Mr. Zhao Xinmin has solid experiences in serving the securities market in Gansu and is familiar with the operation and the rules of the securities sector. During the term of his participation, Mr. Zhao participated in IPO, asset reorganization and other projects, and engaged in share reforms and listings of various companies in NEEQ, making favorable achievements. Mr. Zhao is now acting as legal advisers of a number of enterprises and independent directors of various listing companies.

- (II) The soliciting party has not been subject to any punishment as a result of securities transaction activities in violation of laws or material securities transaction activities in violation of laws relating to economic disputes or involved in any material civil litigation or arbitration relating to economic disputes.
- (III) The soliciting party and his primary direct family members have not reached any agreement or arrangement in respect of the Company's share and there are no interests at stake between him, as an Independent Director of the Company, and the Directors, senior management and substantial shareholders of the Company and their respective connected parties, nor does he have any interest in the subject matter of solicitation.

V. THE SOLICITING PARTY'S VOTE IN RESPECT OF THE SUBJECT MATTER OF SOLICITATION

As an independent director of the Company, the soliciting party attended the sixteenth meeting of the third session of the Board held on 11 March 2019, the seventeenth meeting of the third session of the Board held on 26 March 2019 and voted in favour of the "Resolution on 2019 Restricted Share Incentive Scheme of the Company (draft) and its Summary", the "Resolution on the Management Measures for the Implementation of the 2019 Restricted Share Incentive Scheme of the Company", the "Resolution on the Authorization to the Board to Deal with Related Issues Regarding the Share Incentive Scheme at the General Meeting" and the "Resolution on the grant of Restricted A Shares to executive Directors and other connected person grantees under the First Grant".

VI. THE SOLICITATION SCHEME

The soliciting party has prepared a solicitation scheme for the solicitation of voting rights in accordance with the prevailing laws, regulations and regulatory documents of the PRC and the Articles of Association, the details of which are as follows:

- (I) Target of solicitation: all shareholders of the Company registered with China Securities Depository & Clearing Corporation Limited, Shenzhen office after the close of trading on 17 May 2019.
- (II) Solicitation period: 20 May 2019 to 21 May 2019 (9:30–11:30 a.m.; 13:30–16:30 p.m.)
- (III) Method of solicitation: open solicitation of proxy voting rights by way of announcement on <http://www.cninfo.com.cn> (巨潮資訊網) for ChiNext disclosure as specified by the CSRC.
- (IV) Procedures and steps of solicitation

Step 1: Shareholders falling within the target group for solicitation who decide to appoint the soliciting party as proxy to vote on their behalf should complete the respective Proxy Form for Open Solicitation of Proxy Voting Rights by Independent Directors for A Shareholders and H Shareholders (the “Solicitation Proxy Form”) specifying their intended vote for each resolution in the form and with the content as determined in the annex to this announcement.

Step 2: The Solicitation Proxy Form and other relevant documents signed by shareholders appointing the soliciting party as the proxies should be submitted to the Securities Affairs Department of the Company as entrusted by the soliciting party. The Solicitation Proxy Form and other relevant documents to be collected by the Securities Affairs Department of the Company in connection with the solicitation of proxy voting rights should include:

For A Shareholders:

1. In case of a legal person shareholder, a duplicate copy of its legal person business licence, the original copy of the identity document of its legal representative, the original of the Solicitation Proxy Form and the shareholder’s account card should be furnished. The legal representative should sign and the company seal should be affixed on each page of all documents furnished by the legal person shareholders;

2. In case of an individual shareholder, a copy of his/her identity document, the original of the Solicitation Proxy Form and the shareholder's account card should be furnished;
3. A Solicitation Proxy Form signed by other persons on behalf of the shareholders should be notarised and the notarisation letter should be furnished together with the original of the Solicitation Proxy Form. Notarisation is not required for Solicitation Proxy Forms signed by shareholders themselves or legal representatives of corporate shareholders.

For H Shareholders:

H Shareholders should complete and sign the Solicitation Proxy Form in accordance with the instructions set out in the Notices of H Shareholders and the Solicitation Proxy Form. The Solicitation Proxy Form signed by other persons on behalf of the shareholders should be notarised by a public notary and the notarisation letter should be provided together with the original copy of the Solicitation Proxy Form. Notarisation is not required for Solicitation Proxy Form signed by shareholders themselves or legal representatives of legal person shareholders.

Step 3: Shareholders appointing the soliciting party as the proxies to vote on their behalf should deliver Solicitation Proxy Forms and relevant documents to the address specified in this announcement by courier, registered post or express mail within the solicitation period after the relevant documents have been prepared in accordance with Step 2 above. Delivery by registered posts or express mails shall be deemed to have been received at the time of delivery at the Securities Affairs Department of the Company.

For A Shareholders appointing the soliciting party as the proxies should deliver the Solicitation Proxy Forms and the relevant documents to the address and addressee specified below:

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

Contact person : Pan Lai

Postal Code : 730020

Telephone : 0931-8753001

Facsimile : 0931-8753001

Email : panlai@lzzhuangyuan.com

For H Shareholders appointing the soliciting party as the proxies should deliver the Solicitation Proxy Forms and the relevant documents to the address and addressee specified below:

On or before 9 April 2019

Address : Shops 1712-1716, 17th Floor,
Hopewell Centre,
183 Queen's Road East, Wanchai,
Hong Kong

Addressee : Computershare Hong Kong Investor
Services Limited

On or after 10 April 2019

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

Addressee : Union Registrars Limited

All documents submitted should be properly sealed and the contact telephone numbers and contact persons of the shareholders appointing the soliciting party as the proxies should be provided. The words of “Proxy Form for Open Solicitation of Voting Rights by Independent Directors” should be clearly indicated.

Step 4: Votes to be confirmed as valid by attesting lawyer: Attesting lawyers of the legal firm appointed by the Company should verify the documents listed above provided by the legal person shareholders and individual shareholders. Solicitation Proxy Forms verified to be valid shall be given to the soliciting party by the attesting lawyers.

(V) Solicitation Proxy Forms will be confirmed as valid upon full compliance with the following conditions as verified after all the required documents to be furnished by shareholders appointing the soliciting parties as the proxies have been duly delivered:

1. The Solicitation Proxy Form and the required documents having been delivered to the designated address in accordance with the solicitation procedures set out in this announcement;
2. The Solicitation Proxy Form and the required documents having been submitted within the solicitation period;
3. The Solicitation Proxy Form having been completed and signed by the shareholders in the form specified in the annex to this announcement with clear and specific authorisation and the required documents submitted being complete and valid;
4. The Solicitation Proxy Form and the required documents furnished being consistent with records of the share register.

(VI) Where a shareholder gives duplicate voting instructions to the soliciting party in respect of the matters for which the voting rights are being solicited, the latest Solicitation Proxy Form signed by the shareholder, or the latest Solicitation Proxy Form received by the Company if the timing of the signature could not be ascertained, shall be deemed as the valid one. Only one vote should be casted to the same resolution. For those resolutions voted with more than one votes (including on-site voting and internet voting), the first vote shall prevail.

(VII) A shareholder may attend the meeting in person or by appointing persons other than the soliciting party as his/her proxy notwithstanding the appointment of the soliciting party as his/her proxy to exercise the solicited voting rights.

(VIII) The soliciting party may act in accordance with the following with respect to a valid Solicitation Proxy Form:

1. Where a shareholder has appointed the soliciting party as proxy to exercise the solicited voting rights, such shareholder may expressly revoke in writing his/her previous appointment of the soliciting party as his/her proxy before the closing time for on-site registration at the meeting, in which case the soliciting party shall treat the appointment of the soliciting party as the proxy invalid;
2. Where a shareholder attends in person or has appointed persons other than the soliciting party as proxy to exercise the solicited voting rights and to be registered for attending the meeting, and where such shareholder expressly revokes in writing his/her appointment of the soliciting party as his/her proxy before the closing time for on-site registration at the meeting, the soliciting party shall treat the appointment of the soliciting party as the proxy invalid;
3. Shareholders should specify in the Solicitation Proxy Form their voting instructions in respect of the matters for which voting rights are being solicited and check either “For”, “Against” or “Abstained” as appropriate. Any proxy for which more than one or no voting direction is indicated shall be deemed invalid.

Soliciting Party: Zhao Xinmin
3 April 2019