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If you are in doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, 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 to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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Lanzhou Zhuangyuan Pasture Co., Ltd.*

蘭州莊園牧場股份有限公司

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

(Stock Code: 1533)

PROPOSED ISSUANCE OF A SHARE CONVERTIBLE BONDS

Any H Shareholder(s) entitled to attend and vote at the EGM and the Class Meeting are entitled to appoint one or more proxies to attend and vote on his/her behalf. A proxy needs not be a Shareholder. In the event that a Shareholder appoints more than one proxy to attend the EGM and the Class Meeting, such proxies may only exercise their voting rights on a poll. If you intend to attend the meeting(s) in person or by proxy, you should complete the reply slip(s) in accordance with the instructions printed thereon and return the same by hand or by post to the office of the Company's H share registrar in Hong Kong, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong not later than Friday, 3 May 2019.

If you intend to appoint a proxy to attend the EGM and/or the Class Meeting, please complete the proxy form(s) according to the instructions printed thereon and return the same by hand or by post not less than 24 hours before the time for holding the EGM and the Class Meeting or not less than 24 hours before the time appointed for the holding of any adjournment thereof or not less than 24 hours before the time appointed for taking the poll. Completion and return of the proxy form(s) will not preclude H Shareholders from attending and voting in person at the EGM and/or the Class Meeting or any adjournment thereof should they so wish.

* For identification purpose only

24 April 2019

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DEFINITIONS

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

“Announcement”	the announcement of the Company dated 31 January 2019 in respect of, among others, the Proposed Issuance of A Share Convertible Bonds
“Announcement Regarding Issuance”	Announcement Regarding the Public Issuance of A Share Convertible Corporate Bonds by Lanzhou Zhuangyuan Pasture Co., Ltd.*
“Annual Interest”	the interest accrued to the A Share Convertible Bond Holders in each year on each anniversary of the date of issuance of the A Share Convertible Bonds, calculated based on the aggregate nominal value of the A Share Convertible Bonds
“Articles of Association”	the Articles of Association of the Company
“A Share(s)”	Renminbi-denominated ordinary share(s) of the Company of RMB1.00 each, all of which are issued in the PRC, subscribed in Renminbi and listed on the Shenzhen Stock Exchange (stock code: 002910)
“A Share Convertible Bond Holder(s)”	holder(s) of A Share Convertible Bonds proposed to be issued by the Company
“A Share Convertible Bond Issuance Plan”	the A Share Convertible Bond issuance plan of the Company to be considered and, if thought fit, to be approved at the EGM and the Class Meetings, details of which are set out in this circular
“A Share Convertible Bonds”	the convertible corporate bonds in the total amount of not more than RMB0.4 billion which are convertible into new A Shares and proposed to be issued by the Company within the PRC
“A Shareholder(s)”	the holder(s) of the A Share(s) of the Company
“Board”	the board of directors of the Company
“CB Specific Mandate”	the specific mandate in relation to the Proposed Issuance of the A Share Convertible Bonds to be considered and approved at the EGM and the Class Meetings
“Class Meetings”	the H shareholders class meeting and the A shareholders class meeting of the Company to be convened on 23 May 2019 to approve, among others, the Proposed Issuance of A Share Convertible Bonds

DEFINITIONS

“Company”	Lanzhou Zhuangyuan Pasture Co., Ltd.* (蘭州莊園牧場股份有限公司), a joint stock company established in the PRC with limited liability and the A Shares and H Shares of which are listed on the Shenzhen Stock Exchange and the Main Board of the Hong Kong Stock Exchange, respectively
“Company Law”	the Company Law of the People’s Republic of China (《中華人民共和國公司法》), as amended from time to time
“connected person(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules
“CSRC”	China Securities Regulatory Commission
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened on 23 May 2019 to approve, among others, the Proposed Issuance of A Share Convertible Bonds
“H Class Meeting”	the H shareholders class meeting of the Company to be convened on 23 May 2019 to approve, among others, the Proposed Issuance of A Share Convertible Bonds
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“H Share(s)”	overseas-listed foreign share(s) in the share capital of the company, with a nominal value of RMB1.00 each, which are listed on the Main Board of the Hong Kong Stock Exchange (stock code: 1533) and subscribed in Hong Kong dollars
“Latest Practicable Date”	15 April 2019, being the latest practicable date for ascertaining certain information included herein before the printing of this circular
“Offering Document”	Offering Document of the Public Issuance of A Share Convertible Bonds by Lanzhou Zhuangyuan Pasture Co., Ltd.*

DEFINITIONS

“PRC” or “China”	the People’s Republic of China, for the purpose of this circular, excluding Hong Kong, the Macau Special Administrative Region and Taiwan
“Proposed Issuance of A Share Convertible Bonds”	the issuance of the A Share Convertible Bonds proposed by the Company according to the A Share Convertible Bond Issuance Plan
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	A Share(s) and/or H Share(s)
“Shareholder(s)”	the holder(s) of the Share(s) of the Company
“Supervisor(s)”	the supervisor(s) of the Company
“Supervisory Committee”	the committee formed by the Supervisors of the Company

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
Shanghai 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,

PROPOSED ISSUANCE OF A SHARE CONVERTIBLE BONDS

I. INTRODUCTION

References are made to the announcement of the Company dated 31 January 2019 in relation to the Proposed Issuance of A Share Convertible Bonds.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with all the necessary information on, amongst others, (i) the satisfaction of the conditions of the public issuance of the A Share Convertible Bonds; (ii) the Proposed Issuance of A Share Convertible Bonds; (iii) the preliminary plan of the Proposed Issuance of A Share Convertible Bonds; (iv) the report on the use of the previously raised proceeds; (v) the feasibility report on the use of proceeds raised from the Proposed Issuance of A Share Convertible Bonds; (vi) the authorisation of the Board and its authorised persons to manage the matters relating to the Proposed Issuance of A Share Convertible Bonds; (vii) impact on the Company's key financial indicators from the dilution of immediate returns by the Proposed Issuance of A Share Convertible Bonds and the remedial measures to be adopted; (viii) the proposal on the undertaking given by the Directors, senior management, controlling Shareholders and de facto controller of the Company in relation to adopting remedial measures for the dilution of immediate returns by the Proposed Issuance of A Share Convertible Bonds; (ix) Rules for A Share Convertible Bond Holders' meetings; (x) proposed amendments to the Articles of Association; (xi) proposed amendments of some of the Company's governance rules; (xii) report of internal control self-evaluation and the self-inspection table for the implementation of the internal control rules for 2018; in order to enable you to make an informed decision on whether to vote for or against the proposed resolutions at the EGM and the Class Meetings (where applicable).

II. INFORMATION ABOUT THE RESOLUTIONS

1. Satisfaction of the Conditions of the Public Issuance of A Share Convertible Bonds

Pursuant to the relevant requirements under the Company Law, the Securities Law of the People's Republic of China (《中華人民共和國證券法》), the Administrative Measures for the Issuance of Securities by Listed Companies (《上市公司證券發行管理辦法》) and other laws, regulations and normative documents, upon the Company's review on the qualifications and conditions of a company applying for issuance of A share convertible bonds, the Company believes that it has satisfied all the regulations and requirements of the relevant laws, regulations and normative documents in relation to the public issuance of A share convertible bonds by listed companies, that it is not a subject of bad faith and that it possesses the qualifications and conditions for public issuance of A share convertible bonds.

This proposal is submitted to the Shareholders for their consideration and approval as a special resolution at the EGM and the Class Meetings.

2. Proposed Issuance of A Share Convertible Bonds under the CB Specific Mandate

In order to further enhance the supply ratio of the Company's own raw milk, meet the growing diversified consumer demand, enhance the Company's core competitiveness, taking into account the Company's future development plan, the actual needs of funds, the industrial policy of the state and the requirements on the refinancing of listed companies of CSRC, and after careful study, the board of directors intends to raise funds through the public issuance of A share convertible corporate bonds. The Board proposes to issue the A Share Convertible Bonds with a total amount not exceeding RMB0.4 billion (inclusive), details of which are set out in Appendix I to this circular.

LETTER FROM THE BOARD

The Proposed Issuance of the A Share Convertible Bonds will be made under the CB Specific Mandate.

The Directors believe that following the completion of the Proposed Issuance of A Share Convertible Bonds, the Company will address part of the funding needs, ensure the smooth implementation of the projects funded with proceeds raised from this issuance, further enhance the supply ratio of the Company's own raw milk, strengthen the Company's product quality control, expand the Company's production scale and comprehensive strength, optimize the structure of the Company's product, achieve growth of revenue and profit, enhance the Company's core competitiveness, promote the Company's sustainable development, which is in the interests of the Company and all the employees.

This proposal is submitted to the Shareholders for their consideration and approval as a special resolution at the EGM and the Class Meetings.

3. Preliminary Plan of the Proposed Issuance of A Share Convertible Bonds

A special resolution will be proposed at the EGM to approve the preliminary plan of the Proposed Issuance of A Share Convertible Bonds, details of which are set out in Appendix II to this circular.

This proposal is submitted to the Shareholders for their consideration and approval as a special resolution at the EGM and the Class Meetings.

Subsequent to the approval by Shareholders at the EGM and the Class Meetings, the sponsor shall fulfill its internal decision-making procedures and assisted the Company to complete the application for the issuance of the A Share Convertible Bonds to the CSRC. The application for the issue of the A Share Convertible Bonds will then enter into the review period of the CSRC and if the application is approved, the CSRC will issue an approval document, subsequent to which the Company will negotiate with the sponsor during the validity period of such approval document to determine the details of the issue of the A Share Convertible Bonds. The Company can then determine the actual amount of funds raised based on the actual issuance results after the completion of the issuance of the A Share Convertible Bonds, and the actual amount of funds for the Proposed Issuance of A Share Convertible Bonds will be verified by the auditor appointed for the Proposed Issuance of A Share Convertible Bonds. The Company shall inform the Shareholders of the actual amount of funds for the Proposed Issuance of A Share Convertible Bonds and its use by way of announcement when such information is available.

LETTER FROM THE BOARD

4. Report on the Use of the Previously Raised Proceeds

Pursuant to the relevant requirements of PRC laws, regulations and normative documents, such as the Rules Concerning the Report on the Use of Proceeds from Previous Fundraising Activities (《關於前次募集資金使用情況報告的規定》), the Company has formulated the report on the use of the previously raised proceeds, and Ruihua Certified Public Accountants (Special General Partnership) has expressed its assurance opinions, details of which are set out in Appendix III to this circular.

This proposal is submitted to the Shareholders for their consideration and approval as an ordinary resolution at the EGM.

5. Feasibility Report on the Use of Proceeds Raised from the Proposed Issuance of A Share Convertible Bonds

The total amount of proceeds from the Proposed Issuance of A Share Convertible Bonds will not exceed RMB0.4 billion (inclusive), which will be used for the following projects after deducting the issuance expense.

Unit: RMB10,000

No.	Name of project	Total investment amount	Financed by the Fund Raised
1	The reconstruction project of Lanzhou Zhuangyuan Pasture Co., Ltd., with daily production capacity of 600 tonnes of liquid milk	30,531.14	20,000.00
2	Recycling industrial park project of a dairy farm for 10,000 dairy cows in Jinchuan District, owned by Gansu Ruijia Farming Co., Ltd.	49,834.57	20,000.00
	Total	80,365.71	40,000.00

The Company issued an overseas regulatory announcement entitled “Feasibility Report on the Use of Proceeds Raised from the Proposed Issuance of A Share Convertible Bonds” on 1 February 2019, the texts of which are set out in Appendix IV to this circular. This proposal is submitted to the Shareholders for their consideration and approval as a special resolution at the EGM and the Class Meetings.

Set out below are the further updates to the two projects at as the Latest Practicable Date:

The reconstruction project of Lanzhou Zhuangyuan Pasture Co., Ltd., with daily production capacity of 600 tonnes of liquid milk

- On 26 March 2018, the Yuzhong County Industrial Business and Information Technology Bureau (榆中縣工業商務和信息化局) issued the “Notice on the Filing of the 600-tonne Liquid Milk Reconstruction and Expansion Project of Lanzhou Zhanugyuan Pasture Co., Ltd. (《關於蘭州莊園牧場股份有限公司日加工600噸液體奶改擴建項目備案的通知》), which stated its agreements to the filing of this project.

LETTER FROM THE BOARD

- On 28 August 2018, the Lanzhou Environmental Protection Bureau (蘭州市環境保護局) issued the “Reply on the Reconstruction and Expansion Project of 600 tonnes of Liquid Milk for Lanzhou Zhuangyuan Pasture Co., Ltd. (《關於蘭州莊園牧場股份有限公司日加工600噸液體奶改擴建項目的批復》), according to which the project has satisfied the relevant environmental protection requirements.
- On 16 November 2018, the Company obtained the Construction Engineering Construction Permit (《建築工程施工許可證》) issued by the Housing and Urban-Rural Development Bureau of Yuzhong County (榆中縣住房和城鄉建設局), which confirmed the project satisfied the conditions for construction and such project has commenced the construction work.

Recycling industrial park project of a dairy farm for 10,000 dairy cows in Jinchuan District, owned by Gansu Ruijia Farming Co., Ltd.

- On 17 May 2018, the Development and Reform Bureau of Jinchuan District, Jinchang City (金昌市金川區發展和改革局) issued the “Notice from the Development and Reform Bureau of Jinchuan District, Jinchang City Concerning the Recycling Industrial Park Project of a Dairy Farm for 10,000 Dairy Cows of Gansu Ruijia Farming Co., Ltd. in Jinchang City” (《金昌市金川區發展和改革局關於甘肅瑞嘉牧業有限公司金川區萬頭奶牛養殖循環產業園項目備案的通知》), which agreed to filing of the project.
- On 18 December 2018, Jinchang Environmental Protection Bureau (金昌市環境保護局) issued the “Reply on the Environmental Impact Report of Concerning the Recycling Industrial Park Project of a Dairy Farm for 10,000 Dairy Cows of Gansu Ruijia Farming Co., Ltd. in Jinchang City” (《關於甘肅瑞嘉牧業有限公司金川區萬頭奶牛養殖循環產業園項目環境影響報告書的批復》), accordingly to which the project meets the relevant environmental protection requirements.

The Board of Directors of the Company will make appropriate adjustment to the allotment of and the priority of the fund raised, and determine the specific investment amount for each of the projects, based on the net amount of the fund actually raised, the importance of each of the projects, provided that the investment projects shall not be changed. The shortage in the fund raised will be financed by the Company’s own resources further details of which are set out in “5. Reasons for and Benefits of the Proposed Issuance of A Share Convertible Bonds” below. The Company will invest in the projects with its own resources according to the actual development progress of the projects before the proceeds raised in this issuance are in place, and the proceeds raised in the issuance will be used to substitute the Company’s funding in accordance with the procedures required by relevant laws after they are received into account.

LETTER FROM THE BOARD

6. The Authorisation of the Board and its Authorised Persons to Manage the Matters Relating to the Proposed Issuance of A Share Convertible Bonds

To ensure a legal and efficient implementation of the Proposed Issuance of A Share Convertible Bonds and determine the specific matters in relation to the A Share Convertible Bond Issuance Plan according to the conditions of the capital market, it is proposed at the EGM and the Class Meetings to authorise the Board and its authorised persons to manage the matters relating to the Proposed Issuance of A Share Convertible Bonds under the requirements of the relevant laws and regulations, details of which are set out in Appendix V to this circular.

This proposal is submitted to the Shareholders for their consideration and approval as a special resolution at the EGM and the Class Meetings.

7. Impact on the Company's Key Financial Indicators from the Dilution of Immediate Returns by the Proposed Issuance of A Share Convertible Bonds and the Remedial Measures to be adopted

Pursuant to the relevant PRC regulatory requirements, such as the Several Opinions of the State Council on Further Promoting the Healthy Development of Capital Market (《國務院關於進一步促進資本市場健康發展的若干意見》) (Guo Fa [2014] No. 17), the Opinions of the General Office of the State Council on Further Strengthening the Protection of Small and Medium Investors' Legitimate Interests in Capital Market (《國務院辦公廳關於進一步加強資本市場中小投資合法權益保護工作的意見》) (Guo Ban Fa [2013] No. 110) and the Guiding Opinions on Matters Relating to the Dilution of Immediate Returns As a Result of Initial Public Offering, Refinancing and Major Asset Restructuring (《關於首發及再融資、重大資產重組攤薄即期回報有關事項的指導意見》) (CSRC Announcement [2015] No. 31), the Company has formulated the dilution of immediate returns by the Proposed Issuance of A Share Convertible Bonds and the remedial measures to be adopted, details of which are set out in Appendix VI to this circular.

This proposal is submitted to the Shareholders for their consideration and approval as a special resolution at the EGM and the Class Meetings.

8. The Undertaking given by the Directors, senior management, the controlling Shareholders and the de facto controller of the Company in relation to Adopting Remedial Measures for the Dilution of Immediate Returns by the Proposed Issuance of A Share Convertible Bonds

This proposal is submitted to the Shareholders for their consideration and approval as a special resolution in the EGM and the Class Meetings.

LETTER FROM THE BOARD

9. Rules for A Share Convertible Bond Holders' Meetings

Pursuant to the relevant PRC regulatory requirements, such as the Company Law, the Securities Law of the People's Republic of China (《中華人民共和國證券法》), the Administrative Measures for the Issuance of Securities by Listed Companies (《上市公司證券發行管理辦法》) and the Shenzhen Stock Exchange Share Listing Rules (《深圳證券交易所股票上市規則》), the Company has formulated Rules for A Share Convertible Bond Holders' meetings, details of which are set out in Appendix VII to this circular.

This proposal is submitted to the Shareholders for their consideration and approval as a special resolution at the EGM and the Class Meetings.

10. Proposed amendments to the Articles of Association

A special resolution will be proposed at the EGM and the Class Meetings to approve the resolution in relation to proposed amendments to the Articles of Association, details of which are set out in Appendix VIII to this circular.

In accordance with Article 5 of Code of Governance for listed Companies (Announcement [2018] No. 29 issued by CSRC on 30 September 2018), listed companies shall, in accordance with provisions of the Company Law, set up its organization of the Communist Party of China to carry out the Party's activities. The listed companies shall provide requisite conditions for such activities of the Party Committee. Therefore, the Company supplemented the corresponding contents of the Company's Articles of Association according to the relevant provisions of the Constitution of the Communist Party of China.

The Board is of the view that it is able to fulfil its fiduciary duties and duties of skill, care and diligence under Rule 3.08 of the Hong Kong Listing Rules, and that the functions and decision-making capacity of the Board would not be impaired as a result of the amended Articles of Association. The decisions of the Board could not be overridden under the operation of the amended Articles of Association. The Board shall continue to act in the best interest of the Shareholders and comply with the relevant procedures in the Articles of Association should matters are required to be approved by the Company's Shareholders.

The Company will comply with Rules 10.06(1)(b) and 10.06(4) of the Hong Kong Listing Rules if the Company proposes to repurchase its A Shares; and the Company will comply with Rule 10.06 of the Hong Kong Listing Rules if the Company proposes to repurchase its H Shares. The Company will publish an explanatory statement and obtain prior shareholders' approval in both general and class meetings for either repurchase of A Shares or H Shares under Rule 10.06(1)(b) of the Hong Kong Listing Rules. The repurchased H Shares will be cancelled immediately under Rule 10.06(5) of the Hong Kong Listing Rules.

LETTER FROM THE BOARD

11. Proposed amendments of some of the Company's governance rules

An ordinary resolution will be proposed at the EGM to approve the proposed amendments of some of the Company's relevant governance rules, including the General Meeting's Rules of Procedure, the Board Meeting's Rules of Procedure, the Administrative Measures of External Guarantee, the Related Parties' Transactions Decision Policy, the Rules for the Selection and Appointment of Accountants' Firm, and the Implementing Rules of Cumulative Voting and Online Voting, details of which are set out in Appendix IX to this circular.

The Company undertakes that, without limitation to the Company's obligation to comply with other Listing Rules, i.e. the General Meeting's Rules of the Procedures, the Company will also comply with Rule 19A.38 of the Hong Kong Listing Rules.

12. Report of internal control selfevaluation and the self-inspection table for the implementation of the internal control rules for 2018

The Company has prepared the Report of internal control self-evaluation and the self-inspection table for the implementation of the internal control rules for 2018, and Ruihua Certified Public Accountants (Special General Partnership) has expressed its audit opinions, details of which are set out in Appendix X to this circular.

This proposal is submitted to the Shareholders for their consideration and approval as an ordinary resolution at the EGM.

III. OTHER INFORMATION RELATING TO THE PROPOSED ISSUANCE OF A SHARE CONVERTIBLE BONDS

1. Implications of the Proposed Issuance of A Share Convertible Bonds under the PRC Regulatory Requirements

The A Share Convertible Bonds to be issued by the Company may lead to issuance of new A Shares upon the exercise of the conversion rights of the A Share Convertible Bonds, the actual number of which depends on a number of factors, including the conversion price of the A Share Convertible Bonds. The Board considers that the conversion of A Share Convertible Bonds into new A Shares will dilute the interests of the existing A Shareholders in the Company's share capital.

According to the Articles of Association and the relevant domestic laws and regulations, the Proposed Issuance of A Share Convertible Bonds shall subject to, among others, the Shareholders' approval at the EGM and the Class Meetings, and the approvals from relevant PRC regulatory authorities.

LETTER FROM THE BOARD

2. Implications of the Proposed Issuance of A Share Convertible Bonds under the Hong Kong Regulatory Requirements

Pursuant to Rule 19A.38 of the Hong Kong Listing Rules, the Proposed Issuance of A Share Convertible Bonds under the CB Specific Mandate is subject to the requirements for Shareholders' approvals at the EGM and the Class Meetings.

No Directors are interested or deemed to have material interests in the above transaction. In addition, no Directors have abstained from voting on the other Board resolutions.

To the best knowledge of the Directors have made reasonable enquiries, none of the Company's connected persons (as defined under the Hong Kong Listing Rules) has intention to subscribe for the A Share Convertible Bonds under the A Share Convertible Bond Issuance Plan. These connected persons have undertaken to the Company that in case they plan to exercise pre-emptive right for the A Share Convertible Bonds, they shall report to the Company. The Company shall then comply with the requirements in connection with the Hong Kong Listing Rules, including but not limited to the announcement, circular and shareholders' approval requirements, pursuant to the Hong Kong Listing Rules.

The Board expects that the Company will maintain sufficient public float to meet the applicable minimum requirement under the Hong Kong Listing Rules.

3. Recent Equity Fund Raising Activities in the Past 12 Months

The Company did not conduct any equity fund raising activities in the past 12 months immediately before the Latest Practicable Date.

4. Effects on the Shareholding Structure of the Company

Pursuant to the A Share Convertible Bond Issuance Plan, the initial conversion price of A Share Convertible Bonds shall not be lower than (i) the average trading price of A Shares during the 20 trading days immediately preceding the date of publication of the Offering Document (in the event that during such 20 trading days, the share price has been adjusted due to ex-rights or ex-dividend, the average share price for the trading days before the adjustment shall be accordingly adjusted with reference to the adjusted share price following the ex-rights or ex-dividend); and (ii) the average trading price of A Shares on the trading day immediately preceding the date of publication of the Offering Document. Subject to the authorization by the Shareholders at the EGM and the Class Meetings, the sponsor shall fulfill its internal decision-making procedures and assist the Company to complete the application for the issuance of the A Share Convertible Bonds to the CSRC. The application for the issue of the A Share Convertible Bonds will then enter into the review period of the CSRC and if the application is approved, the CSRC will issue an approval document, subsequent to which the Company will negotiate with the sponsor during the validity period of such approval document to determine the details of the issue of the A Share Convertible Bond, forming part of the Offering Document. The actual initial conversion price shall be determined by the Board upon negotiation with the sponsor (the lead underwriter) in accordance with the market conditions and actual conditions of the Company. The above complies with the principle for determining the initial conversion price stated in the relevant PRC laws and regulations.

LETTER FROM THE BOARD

The Company shall promptly and fully disclose the details of the Proposed Issuance of the A Share Convertible Bond in the Offering Document, including the above information in accordance with the applicable requirements of the CSRC, the Shenzhen Stock Exchange and the Hong Kong Listing Rules. The publication of the Offering Document is subject to the following conditions, amongst others:

- the approval by the Shareholders at the EGM and Class Meetings on the Proposed Issuance of A Share Convertible Bonds; and
- the sponsor assists the Company to complete the application to the CSRC after fulfilling its internal decision-making procedures.

The application for the issue of the A Share Convertible Bonds will then enter into the review period of the CSRC and if the application is approved, the CSRC will issue an approval document, subsequent to which the Company will negotiate with the sponsor during the validity period of such approval document to determine the details of the issue of the A Share Convertible Bonds. In case the application is rejected by the CSRC, the Company shall terminate the Proposed Issuance of A Share Convertible Bonds and fulfill the reporting procedure(s) including issuing an announcement on the termination.

For reference only and to illustrate the abovementioned pricing mechanism, assuming that, the Offering Document has been issued on the Latest Practicable Date, the average trading price of A Shares during the 20 trading days immediately preceding the Latest Practicable Date is RMB14.58 per Share and the average trading price of A Shares on the trading day immediately preceding the Latest Practicable Date is RMB14.35 per Share, the minimum initial conversion price on the Latest Practicable Date will be RMB14.58 per Share, being the higher of the abovementioned average trading prices. For the avoidance of doubt, the actual initial conversion price shall be determined by the Board before the issuance of the A Share Convertible Bonds. Based on the minimum initial conversion price of RMB14.58 per Share and the maximum issuance size of the A Share Convertible Bonds to be issued (i.e. RMB0.4 billion), the maximum number of the A Shares to be converted is 27,434,842.

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The shareholding structure of the Company as at the Latest Practicable Date and upon the completion of the Proposed Issuance of A Share Convertible Bonds (assuming (i) an offering of A Share Convertible Bonds in the total amount of RMB0.4 billion; (ii) an initial conversion price of RMB14.58 per Share); and (iii) full conversion of the A Share Convertible Bonds into the A Shares is as follows.

Name of Shareholders	As at the Latest Practicable Date		Immediately after the completion of the Proposed Issuance and full conversion of A Share Convertible Bonds	
	Number of Shares	Approximate percentage of total issued Shares (including A Shares and H Shares)	Number of Shares	Approximate percentage of total issued Shares (including A Shares and H Shares)
A Shares				
<i>Non-public</i>				
Lanzhou Zhuangyuan Investment Co., Ltd.				
(Note 1)	30,894,700	16.49%	30,894,700	14.38%
Gansu Lucky Cow Investment Co., Ltd. (Note 1)	15,000,000	8.01%	15,000,000	6.98%
Ma Hongfu	32,197,400	17.19%	32,197,400	14.99%
<i>Public</i>				
Total issued A Shares held by the public Shareholders	<u>74,117,900</u>	<u>39.56%</u>	<u>101,552,742</u>	<u>47.28%</u>
Total issued A Shares	<u>152,210,000</u>	<u>81.25%</u>	<u>179,644,842</u>	<u>83.64%</u>
H Shares				
Total issued H Shares held by the public Shareholders	<u>35,130,000</u>	<u>18.75%</u>	<u>35,130,000</u>	<u>16.36%</u>
Total issued H Shares	<u>35,130,000</u>	<u>18.75%</u>	<u>35,130,000</u>	<u>16.36%</u>
Total issued Shares	<u>187,340,000</u>	<u>100.00%</u>	<u>214,774,842</u>	<u>100.00%</u>

Note(s):

- Mr. Ma Hongfu, an executive director, chairman of the board and a controlling shareholder of the Company, holds 97.38% equity interests in Lanzhou Zhuangyuan Investment Co., Ltd. and 39.44% equity interests in Gansu Lucky Cow Investment Co., Ltd.

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The conversion price is subject to adjustments in certain events such as distribution of share dividends, capitalisation, issuance of new shares (excluding any increase in the share capital as a result of conversion of the A Share Convertible Bonds), rights issue and distribution of cash dividends.

In these events, the Company will adjust the conversion price in accordance with the methods determined, and an announcement in relation to the adjustment of the conversion price will be made on the media designated by CSRC for information disclosure of listed companies. Please also refer to the sections headed “9. Determination and adjustment of the conversion price” and “10. Terms of downward adjustment to the conversion price” on pages I-3 to I-5 in Appendix I to this circular for details on the calculation of the conversion price.

5. Reasons for and Benefits of the Proposed Issuance of A Share Convertible Bonds

With this issuance of the A Share Convertible Bonds, the Company will address part of the funding needs, ensure the smooth implementation of the projects funded with proceeds raised from this issuance, further enhance the supply ratio of the Company’s own raw milk, strengthen the Company’s product quality control, expand the Company’s production scale and comprehensive strength, optimize the structure of the Company’s product, achieve growth of revenue and profit, enhance the Company’s core competitiveness, promote the Company’s sustainable development, which is in the interests of the Company and the whole.

As disclosed in “II. Information about the resolutions – 5. Feasibility Report on the Use of Proceeds Raised from the Proposed Issuance of A Share Convertible Bonds” in this Letter from the Board, the total investment amount for the two projects, namely, (1) the reconstruction project of Lanzhou Zhuangyuan Pasture Co., Ltd., with daily production capacity of 600 tonnes of liquid milk; and (2) recycling industrial park project of a dairy farm for 10,000 dairy cows in Jinchuan District, owned by Gansu Ruijia Farming Co., Ltd., amounts to RMB803.7 million. It is expected that up to RMB400 million, representing 49.8% of the total investment amount, shall be funded by the Proposed Issuance of A Share Convertible Bonds, while the remaining amount, i.e. approximately RMB403.7 million, will be funded by, amongst others, the follow ways:

- (a) The Company’s accumulated undistributed profits in previous years

According to the Company’s 2018 annual audited report issued by Ruihua Certified Public Accountants (special general partnership), as of 31 December 2018, the undistributed profit of the Company in the previous years amounts to approximately RMB451.1 million; and

- (b) External financing from financial institutions

It is expected that when necessary, the Company will resolve part of the funding needs by applying for loans from bank(s).

Furthermore, the Company resolved to raise funds through the Proposed Issuance of A Share Convertible Bonds in accordance with the guidance contained in the “Administrative Measures for the Issuance of Securities by Listed Companies” (《上市公司證券發行管理辦法》) and the “Regulations on Issuance Supervision – Regulation Requirements for Guiding and Regulating the Financing

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Behavior of Listed Companies (Revised Edition)” (《發行監管問答——關於引導規範上市公司融資行為的監管要求(修訂版)》) issued by the CSRC, as well as other relevant refinancing regulations, taking into full consideration the current domestic regulatory environment and macro policy environment and having fully communicated with the sponsor on the feasibility and necessity of the projects and after due and careful consideration by the Board.

According to “(2) Terms of Conditional Redemption” set out in “11. Terms of redemption” in the “Proposed Issuance of A Share Convertible Bonds” (Appendix I to this circular), during the conversion period of the Convertible Bonds to be issued, when, amongst other, the following circumstance occurs, the Company shall have the right to redeem all or part of the outstanding Convertible Bonds, at a price equal to the nominal value of the Convertible Bonds plus the then accrued interest: (1) During the conversion period of the Convertible Bonds to be issued, if the closing prices of A shares during at least 15 trading days out of any 30 consecutive trading days are no less than 130% (inclusive) of the prevailing conversion price.

The Board is of the view that the risk arising from the increase in share price is effectively controlled at an acceptable level.

6. Internal Control Measures

To enable members of the Board to promptly know the specific terms of the Proposed Issuance of A Share Convertible Bonds, Zhang Qianyu, the member of the Director team and executive Director, will report to the other members of the Board upon negotiation with the sponsor (the lead underwriter) in relation to the terms of the Proposed Issuance of A Share Convertible Bonds, including the conversion price, interest rate, and maturity date. The Company will implement the A Share Convertible Bond Issuance Plan upon the approval by the other members of the Board.

7. Regulatory Procedures in relation to the Proposed Issuance of A Share Convertible Bonds

After obtaining the approvals (if any) from all relevant PRC regulatory authorities, the Company will issue the A Share Convertible Bonds subject to the market conditions.

Subsequent to the approval by Shareholders at the EGM and the Class Meetings, the sponsor shall fulfill its internal decision-making procedures and assist the Company to complete the application for the issuance of the A Share Convertible Bonds to the CSRC. The application for the issue of the A Share Convertible Bonds will then enter into the review period of the CSRC and if the application is approved, the CSRC will issue an approval document, subsequent to which the Company will negotiate with the sponsor during the validity period of such approval document to determine the details of the issue of the A Share Convertible Bonds. The Company and the sponsor shall take into account, amongst others, the following factors when determining the of the Proposed Issuance of A Share Convertible Bonds: (1) the timing of obtaining the approval document and the validity period of the approval; (2) the domestic securities market sentiment in the PRC; (3) the share price of the Company; and (4) others including price fluctuations, deposit and loan policies and interest rates of financial institutions, and interest rate levels in different periods of the bond market.

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The Board will discuss and determine the terms of the Proposed Issuance of A Share Convertible Bonds upon negotiation with the sponsor (the lead underwriter), including the conversion price and number of the A Share Convertible Bonds to be subscribed for by the existing A Shareholders. Following the conclusion of the negotiation with the sponsor and the determination of the details of the Proposed Issuance of A Share Convertible Bonds. The Company will publish an announcement immediately for details of the issuance of the A Share Convertible Bonds.

The A Share Convertible Bond Issuance Plan shall be valid for 12 months from the date on which its resolution is approved at the EGM and the Class Meetings. In the event that the Proposed Issuance of A Share Convertible Bonds is not completed within 12 months after such a date, the Company will resubmit resolutions to a general meeting for consideration and approval in respect of the new validity period of the A Share Convertible Bond Issuance Plan, which shall be a 12-month period after the approval at such general meeting.

8. General Information

The Company

The Company is a joint stock company established in the PRC with limited liability. The H shares of the Company have been listed on the Hong Kong Stock Exchange since 15 October 2015 and the A Shares of the Company have been listed on the Shenzhen Stock Exchange since 31 October 2017. The Company is principally engaged in production, processing and sales of dairy products and beverages, and breeding of dairy cows.

IV. RECOMMENDATION

The Board has passed the relevant resolutions of the proposals to be submitted to the Shareholders for consideration and approval. No Directors are interested or deemed to have material interests in the above transaction. In addition, no Directors have abstained from voting on the other Board resolutions as set out in this circular.

The Board considers that the aforementioned proposals are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the relevant resolutions at the EGM and the Class Meetings (where applicable).

V. EGM AND THE CLASS MEETING

The Company will convene the EGM on Thursday, 23 May 2019 at the Company's head office in the PRC at the multi-media conference room of 26th Floor, Block B, Shanghui Building of Gansu Province, No. 601, Yanyuan Road, Chengguan District, Lanzhou City, Gansu Province, the PRC, to consider and, if thought fit, approve, inter alia, the matters as set out in the notice convening the EGM dated 3 April 2019. The A Shareholders' Class Meeting will be held immediately after the conclusion of the EGM, at the same place, and the H Shareholders' Class Meeting will be held immediately after

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the conclusion of the A Shareholders' Class Meeting, at the same place, to consider and, if thought fit, approve the Proposed Issuance of A Share Convertible Bonds and the consequent amendments to the Articles of Association. Notice of EGM, notice of A Shareholders' Class Meeting and notice of H Shareholders' Class Meeting are set out in this circular.

In order to determine the holders of Shares who are eligible to attend and vote at the EGM and H Shareholders' Class Meeting, the register of members of the Company will be closed from Tuesday, 23 April 2019 to Thursday, 23 May 2019, both days inclusive. To be eligible to attend and vote at the EGM and H Shareholders' Class Meeting, unregistered holders of H Shares of the Company shall lodge relevant share transfer documents with the Company's H Share registrar, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for registration not later than 4:30 p.m. on Thursday, 18 April 2019.

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

Shareholders who intend to attend the EGM, A Shareholders' Class Meeting and H Shareholders' Class Meeting in person or by proxy shall complete and return the accompanying EGM or H Shareholders' Class Meeting reply slip to the Company's head office in the PRC by hand, by post or by fax (fax number: (86) 931 875 3001) (for holders of A Shares), or return the EGM reply slip to the Company's H Share registrar in Hong Kong, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong by hand or by post (for holders of H Shares) on or before 3 May 2019.

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 of the Board

* For identification purpose only

Details of the A Share Convertible Bond Issuance Plan are as follows:

1. Type of securities to be issued

The type of the securities to be issued is convertible bonds which can be converted into A Shares. The A Share Convertible Bonds and the A Shares to be converted will be listed on the Shenzhen Stock Exchange.

2. Size of issuance

The total amount of the A Share Convertible Bonds proposed to be issued will not exceed RMB0.4 billion (inclusive). The actual size of the issuance shall be determined by the Board within the above range, subject to the authorisation by the Shareholders at the EGM and the Class Meetings.

3. Term

The term of the A Share Convertible Bonds will be 6 years from the date of the issuance.

4. Par value and issue price

The A Share Convertible Bonds will be issued at par with a nominal value of RMB100.00 each.

5. Interest rate

The Board proposes to the Shareholders at the EGM and the Class Meetings to authorise the Board to determine the method of determining the nominal interest rate of the A Share convertible Bonds as well as the final interest rate for each interest accrual year upon negotiation with the sponsor (the lead underwriter) in accordance with national policies, market conditions and the actual conditions of the Company^{Note}.

6. Method and timing of interest payment and repayment of the principal

The interest of the A Share Convertible Bonds will be paid annually, and the principal and the interest for the final year will be paid upon maturity.

(1) Calculation of annual interest

The formula for calculating the Annual Interest is: $I = B \times i$

I: denotes the Annual Interest;

Note: Since the tenure of the convertible bonds can be up to not more than six years, the annual securities market situation may change after the Proposed Issuance of A Share Convertible Bonds. Therefore, the final interest rate for each interest accrual year may be fluctuated after taking into account factors including price fluctuations, deposit and loan policies in the PRC or issued by the People's Bank of China from time to time, interest rates of financial institutions, and interest rate levels in different periods of the bond market.

- B: denotes the aggregate nominal value of the A Share Convertible Bonds held by an A Share Convertible Bond Holder as at the record date for interest payment in an interest accrual year;
- i: denotes the nominal interest rate of the A Share Convertible Bonds of that year.

(2) *Method of interest payment*

- a. The interest of the A Share Convertible Bonds will be paid annually, accruing from the date of the issuance of the A Share Convertible Bonds. Any tax payable on the interest income by an A Share Convertible Bond Holder shall be borne by such an A Share Convertible Bond Holder.
- b. Interest payment date: The interest is payable annually on each anniversary of the date of the issuance of the A Share Convertible Bonds. Where such a date falls on a statutory holiday or rest day, the interest payment date shall be postponed to the next working day, with no additional interest accrued during the period of postponement. The period between any two consecutive interest payment dates will be an interest accrual year.
- c. Record date for interest payment: The record date for interest payment in each year will be the trading day immediately preceding the interest payment date. The Company will pay the interest accrued for that year within five trading days from the interest payment date. Where an A Share Convertible Bond Holder converts his/her A Share Convertible Bonds into A shares on or before the record date for interest payment in any interest accrual year, that A Share Convertible Bond Holder shall not be entitled to any interest for that year and any subsequent interest accrual year.

7. Conversion period

The conversion period of the A Share Convertible Bonds shall commence on the first trading day immediately following the expiry of the six-month period after the date of the issuance of the A Share Convertible Bonds, and end on the maturity date of the A Share Convertible Bonds.

8. Method of determining the number of shares for conversion

Where an A Share Convertible Bond Holder applies to convert his/her A Share Convertible Bonds into A Shares during the conversion period, the formula for calculating the number of A Shares to be issued upon conversion is as below:

$Q = V/P$, any fractional share shall be rounded down to the nearest integer.

In the aforesaid formula, “Q” denotes the number of A Shares to be issued upon conversion; “V” denotes the aggregate nominal value of the A Share Convertible Bonds in respect of which the A Share Convertible Bond Holder applies for conversion; and “P” denotes the prevailing conversion price as at the date of application for conversion.

An A Share Convertible Bond Holder can only apply to convert such A Share Convertible Bonds into A Shares in integers. Within five trading days from the conversion of the A Share Convertible Bonds, the Company will pay the A Share Convertible Bond Holder in cash an amount equal to the nominal value of the remaining balance of such A Share Convertible Bonds which are insufficient to be converted into one share and the interest accrued of that year on such a balance in accordance with the relevant requirements of the Shenzhen Stock Exchange and such other authorities.

9. Determination and adjustment of the conversion price

(1) Basis for determining the initial conversion price^{Note}

The initial conversion price of A Share Convertible Bonds shall not be lower than the average trading price of A Shares during the 20 trading days immediately preceding the date of publication of the Offering Document (in the event that during such 20 trading days, the share price has been adjusted due to ex-rights or ex-dividend, the average share price for the trading days before the adjustment shall be accordingly adjusted with reference to the adjusted share price following the ex-rights or ex-dividend) and the average trading price of A Shares on the trading day immediately preceding the date of publication of the Offering Document. The actual initial conversion price shall be determined by the Board upon negotiation with the sponsor (the lead underwriter) in accordance with the market conditions and actual conditions of the Company, subject to the authorisation by the Shareholders at the EGM and the Class Meetings.

$$\begin{array}{l} \text{The average trading price of A Shares for} \\ \text{the 20 trading days immediately} \\ \text{preceding the date of publication of the} \\ \text{Offering Document} \end{array} = \frac{\begin{array}{l} \text{the total trading amount of A Shares} \\ \text{during such 20 trading days} \end{array}}{\begin{array}{l} \text{the total trading volume of A Shares} \\ \text{during such 20 trading days} \end{array}}$$

$$\begin{array}{l} \text{The average trading price of A Shares for} \\ \text{the trading day immediately preceding} \\ \text{the date of publication of the Offering} \\ \text{Document} \end{array} = \frac{\begin{array}{l} \text{the total trading amount of A Shares on} \\ \text{such a trading day} \end{array}}{\begin{array}{l} \text{the total trading volume of A Shares on} \\ \text{such a trading day} \end{array}}$$

(2) Method of adjustment to the conversion price

The conversion price is subject to adjustments in certain events subsequent to the issuance of the A Share Convertible Bonds such as distribution of share dividends, capitalisation, issuance of new shares (excluding any increase in the share capital as a result of conversion of the A Share Convertible Bonds), rights issue and distribution of cash dividends. The Company will adjust the conversion price based on the following formula (rounded to two decimal places):

$$\text{Distribution of share dividends or capitalisation: } P1 = P0/(1 + n);$$

Note: To the best of the Directors' knowledge, information and belief, there is no restriction under the rules and regulations in the PRC for private listed companies (民營上市公司), including the Company, that the initial conversion price must not be lower than the latest audited net asset value per Share and/or the nominal value per Share. According to the actual operation and experience, there is no foreseeable circumstances under which the initial conversion price is lower than the latest audited net asset value per Share and/or the nominal value per Share.

APPENDIX I THE PROPOSED ISSUANCE OF A SHARE CONVERTIBLE BONDS

Issuance of new shares or rights issue: $P1 = (P0 + A \times k)/(1 + k)$;

The above two events occurring concurrently: $P1 = (P0 + A \times k)/(1 + n + k)$;

Distribution of cash dividends: $P1 = P0 - D$;

The above three events occurring concurrently: $P1 = (P0 - D + A \times k)/(1 + n + k)$.

In the aforesaid formulae, “P1” denotes the adjusted conversion price; “P0” denotes the conversion price before the adjustment; “n” denotes the rate of distribution of share dividends or capitalisation; “A” denotes the price of issuance of new shares or rights issue; “k” denotes the rate of issuance of new shares or rights issue; and “D” denotes the cash dividend per share.

Upon occurrence of any of the abovementioned changes in A Shares and/or A Shareholders’ interests, the Company will adjust the conversion price in accordance with the above method, and an announcement in relation to the adjustment of the conversion price will be made on the media designated by CSRC for information disclosure of listed companies. Such an announcement will indicate the date of the adjustment to the conversion price, method of the adjustment and suspension period of share conversion (if necessary). Meanwhile, the Company shall disclose the information to the Hong Kong market in accordance with the Hong Kong Listing Rules and the Articles of Association of the Company (if necessary). If the conversion price adjustment date is on or after the date on which an A Share Convertible Bond Holder applies for conversion of his/her A Share Convertible Bonds but before the registration date of the shares to be issued upon conversion, such conversion will be executed based on the adjusted conversion price.

In the event that the A Share Convertible Bond Holders’ interests or the interests derived from the share conversion of the A Share Convertible Bonds are affected by the change in the Company’s share class, quantity and/or Shareholders’ interests due to any possible share repurchase, consolidation, division or any other circumstances, the Company will adjust the conversion price based on the actual situations and in accordance with the principles of fairness, justice and equality so as to fully protect the interests of the A Share Convertible Bond Holders. The details of the adjustment to the conversion price and its implementation measures shall be determined in accordance with the relevant national laws and regulations and the relevant requirements of the securities regulatory authorities^{Note}.

Note: If the adjustments stipulated in this “Proposed Issuance of A Share Convertible Bonds” require adjustment of some elements of the convertible bonds, the Board shall convene Board meeting(s) to perform the necessary decision-making procedures in accordance with the authorization of the Shareholders at the EGM and the Class Meetings. As required by the CSRC and the Shenzhen Stock Exchange, the continuous supervision agency will issue specific verification opinions on the adjustment matters. The legal advisors will express clear opinions on whether the adjustment items and procedures comply with the laws and regulations, and the audit institutions will confirm and adjust the data involved in the adjustment matters to ensure the adjustment is fair and reasonable. Announcement(s) will be issued on and including the Hong Kong Stock Exchange by the Company timely to disclose such adjustments if any.

10. Terms of downward adjustment to the conversion price***(1) Authorisation and magnitude of adjustment***

If, during the term of the A Share Convertible Bonds, the closing prices of A Shares in at least 15 trading days out of any 30 consecutive trading days are lower than 90% of the prevailing conversion price, the Board may propose a downward adjustment to the conversion price to Shareholders at the general meeting for their consideration and approval.

The abovementioned proposal is subject to approvals of more than two-thirds of the voting rights of the Shareholders who attend the general meeting. Shareholders who hold the A Share Convertible Bonds should abstain from voting at the general meeting. The adjusted conversion price should be no less than the average trading price of A Shares during the 20 trading days immediately preceding the date of such a general meeting and the average trading price of A Shares on the trading day immediately preceding the date of such a general meeting.

In the event that an adjustment to the conversion price by the Company is made due to ex-rights or ex-dividend during the aforementioned 30 trading days, in respect of the trading days prior to the adjustment to the conversion price, the calculation shall be based on the unadjusted conversion price and the closing price of the A Shares on each such day, while in respect of the trading day on which adjustment to the conversion price is made and the trading days afterwards, the calculation shall be based on the adjusted conversion price and the closing price of the A Shares on each such day.

(2) Adjustment procedures

If the Company decides to make a downward adjustment to the conversion price, the Company shall publish an announcement in relation to the Shareholders' resolution on media designated by CSRC for information disclosure of listed companies. Such an announcement shall disclose information including the magnitude of the adjustment, the registration date of the shares subject to the downward adjustment to the conversion price, the suspension period of share conversion (if any) and such other information. Meanwhile, the Company shall disclose the information to the Hong Kong market in accordance with the Hong Kong Listing Rules and the Articles of Association of the Company (if necessary). Application for conversion of the A Share Convertible Bonds at the adjusted conversion price shall be resumed upon the first trading day after the registration date, i.e. the conversion price adjustment date.

If the conversion price adjustment date is on or after the date of the application for conversion but before the registration date of the shares to be issued upon conversion, such conversion will be executed based on the adjusted conversion price.

11. Terms of redemption***(1) Terms of redemption upon maturity***

Within 5 trading days upon maturity of the A Share Convertible Bonds, the Company will redeem all the A Share Convertible Bonds which have not been converted into A Shares by then, at a price determined by the Board upon negotiation with the sponsor (the lead underwriter) with reference to the market conditions, subject to the authorisation by the Shareholders at the general meeting^{Note}.

(2) Terms of conditional redemption

During the conversion period of the A Share Convertible Bonds, if the closing prices of A Shares during at least 15 trading days out of any 30 consecutive trading days are no less than 130% (inclusive) of the prevailing conversion price, the Company shall have the right to redeem all or part of the outstanding A Share Convertible Bonds, at a price equal to the nominal value of A Share Convertible Bonds plus the then accrued interest. In the event that an adjustment to the conversion price by the Company is made due to ex-rights or ex-dividend during the aforesaid trading days, the amount for trading days prior to the date of the adjustment shall be calculated based on the conversion price and the closing price of the A Shares before the adjustment, while the amount for trading days after the adjustment shall be calculated based on the conversion price and the closing price of the A Shares after the date of the adjustment^{Note}.

In addition, when the aggregate nominal value of the outstanding A Share Convertible Bonds is lower than RMB30.00 million, the Company shall have the right to redeem all or part of the outstanding A Share Convertible Bonds, at a price equal to the nominal value of A Share Convertible Bonds plus the then accrued interest.

Formula for calculating the then accrued interest is:

$$IA = B \times i \times t / 365$$

IA: denotes the accrued interest for the current period;

B: denotes the aggregate nominal value of the A Share Convertible Bonds to be redeemed that are held by the A Share Convertible Bond Holders;

Note: The redemption price will be higher than the par value of the A Share Convertible Bonds. Pursuant to the “Preliminary Plan on the Proposed Issuance of A Share Convertible Bonds”, within five trading days upon maturity of the Convertible Bonds, the Company will redeem all the Convertible Bonds which have not been converted into Shares at a redemption price equal to the sum of the nominal value of the Convertible Bonds and a premium (including the final annual interest). The specific amount of the premium shall be determined by the Board of Directors upon negotiation with the sponsor (the lead underwriter) with reference to the market conditions, subject to the authorisation by the shareholders at the general meeting, and the compliance with national laws, regulations and the provisions of the CSRC. As at the Latest Practicable Date, the Company is not aware of any circumstances which will prevent the Company and the sponsor from reaching an agreement on the redemption price.

- i: denotes the nominal interest rate of the A Share Convertible Bonds in an interest accrual year;
- t: denotes the number of days on which interest is accrued, i.e. the actual number of calendar days from the last interest payment date up to the redemption date of that interest accrual year (including the last interest payment date and excluding the redemption date).

12. Terms of sale back

(1) Terms of conditional sale back

During the last two interest accrual years within the term of the A Share Convertible Bonds, if the closing prices of the A Shares on any 30 consecutive trading days are lower than 70% of the prevailing conversion price, the A Share Convertible Bond Holders are entitled to sell back all or part of their A Share Convertible Bonds to the Company at par plus the then accrued interest. In the event that an adjustment to the conversion price by the Company is made due to events such as distribution of share dividends, capitalisation, issuance of new shares (excluding any increase in the share capital as a result of conversion of the A Share Convertible Bonds), rights issue and distribution of cash dividends during the aforementioned trading days, in respect of the trading days prior to the adjustment to the conversion price, the calculation shall be based on the unadjusted conversion price and the closing price of the A Shares on each such day, and in respect of the days on which the adjustment to the conversion price is made and the trading days afterwards, the calculation shall be based on the adjusted conversion price and the closing price of the A Shares on each such day. In the event that there is a downward adjustment to the conversion price, the aforesaid “30 consecutive trading days” shall be re-counted from the first trading day following the adjustment to the conversion price.

During the last two interest accrual years within the term of the A Share Convertible Bonds, the A Share Convertible Bond Holders can exercise their sale back rights once every year upon the first satisfaction of the conditions of the sale back in accordance with the abovementioned terms. If the A Share Convertible Bond Holders, upon the first satisfaction of the conditions of the sale back, do not apply for and exercise their sale back rights during the sale back declaration period specified by the Company, they are not entitled to exercise their sale back rights during that interest accrual year. The A Share Convertible Bond Holders are not allowed to exercise part of their sale back rights repeatedly.

(2) Additional terms of sale back

If the actual use of the proceeds from the Proposed Issuance of A Share Convertible Bonds significantly differs from the undertakings of the use of proceeds set out by the Company in the Offering Document, and such a change is regarded by CSRC as a change in the use of proceeds, the A Share Convertible Bond Holders will be entitled to a one-off right to sell all or part of the A Share Convertible Bonds back to the Company at par plus the then accrued interest. The A Share Convertible Bond Holders can exercise their sale back rights upon the satisfaction of the additional terms of sale back during the additional sale back declaration period as announced by the Company. If the A Share Convertible Bond Holders do not exercise their sale back rights during the declaration period, they shall be deemed to abandon the rights and shall not be entitled to exercise such rights in the future.

13. Entitlement to dividend in the year of conversion

The new A Shares to be issued as a result of the conversion of the A Share Convertible Bonds shall rank *pari passu* with all the existing A Shares. All ordinary Shareholders (including those becoming ordinary Shareholders as a result of the conversion of the A Share Convertible Bonds) whose names are recorded on the register of members of the Company as at the closing of the afternoon session on the share registration date for dividend distribution shall be entitled to receive the dividend of that period.

14. Method of issuance and target investors

The actual method of the issuance of the A Share Convertible Bonds will be determined by the Board upon negotiation with the sponsor (the lead underwriter), subject to authorisation by the Shareholders at the EGM and the Class Meetings. The target investors of the A Share Convertible Bonds are natural persons, legal persons, securities investment funds and other investors in compliance with the legal requirements, who have maintained securities accounts in the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited (excluding those prohibited by national laws and regulations).

15. Subscription arrangement for the existing A Shareholders

The existing A Shareholders are entitled to the pre-emptive rights to subscribe for the A Share Convertible Bonds. The existing A Shareholders may choose not to exercise such rights. It will be proposed at the EGM and the Class Meetings to authorise the Board to determine the actual amount of the A Share Convertible Bonds which are subject to the abovementioned pre-emptive rights in accordance with the actual situations before the issuance. Such determination shall be disclosed in the Announcement Regarding Issuance. Such preferential subscription shall be subject to the Company Law, the Hong Kong Listing Rules and any other applicable laws, regulations and rules of any government or regulatory authorities, including any rules and requirements regarding related party transactions or connected transactions.^{Note}

The A Share Convertible Bonds which are not subject to the abovementioned pre-emptive rights and which are not subscribed for upon the exercise of the abovementioned pre-emptive rights will be either offered to institutional investors offline or issued by way of online pricing through the trading system of the Shenzhen Stock Exchange, with the remaining balance underwritten by the underwriter(s). The actual method of the issuance of the A Share Convertible Bonds will be determined by the Board upon negotiation with the sponsor (the lead underwriter) and before the issuance, subject to authorisation by the Shareholders at the EGM and the Class Meetings.

Note: To the best knowledge of the Directors have made reasonable enquiries, none of the Company's connected persons (as defined under the Hong Kong Listing Rules) has intention to subscribe for the A Share Convertible Bonds under the A Share Convertible Bond Issuance Plan. These connected persons have undertaken to the Company that in case they plan to exercise pre-emptive right for the A Share Convertible Bonds, they shall report to the Company. The Company shall then comply with the requirements in connection with the Hong Kong Listing Rules, including but not limited to the announcement, circular and shareholders' approval requirements, pursuant to the Hong Kong Listing Rules.

16. Matters relating to A Share Convertible Bond Holders' meetings

During the term of the A Share Convertible Bonds, an A Share Convertible Bond Holders' meeting shall be convened by the Board upon the occurrence of any of the following events:

- (1) the Company proposes to change the terms of the Offering Document;
- (2) the Company defaults in paying the principal and interest of A Share Convertible Bonds for the current period on time;
- (3) the Company undertakes a capital reduction (except for a capital reduction to repurchased shares under a share incentive scheme or performance guarantee), merger, division or dissolution, or files for bankruptcy;
- (4) amendments to the rules for A Share Convertible Bond Holders' meetings; and
- (5) Assignment, bestowal or pledge of the Convertible Bonds in accordance with the laws, administrative regulations and the Articles of Association of the Issuer;
- (6) Access to relevant information in accordance with the laws, and the Articles of Association of the Issuer;
- (7) Other rights entitled granted the laws, administrative regulations and the Articles of Association of the Issuer as creditors of the Issuer.

In addition, the following entities or persons may propose an A Share Convertible Bond Holders' meeting:

- (1) the Board;
- (2) persons, either individually or jointly, holding 10% or more of the aggregate nominal value of the outstanding A Share Convertible bonds and proposing in writing; and
- (3) other entities or persons prescribed by laws, regulations and the China Securities Regulatory Commission.

The Company will set out the method of protecting the interest of the A Share Convertible Bonds Holders and the rights, procedures and conditions of effecting resolutions of the A Share Convertible Bond Holders' meeting in the Offering Document.

APPENDIX I THE PROPOSED ISSUANCE OF A SHARE CONVERTIBLE BONDS

17. Use of proceeds

The total amount of proceeds from the Proposed Issuance of A Share Convertible Bonds will not exceed RMB0.4 billion (inclusive), which will be used for the following projects after deducting the issuance expense.

		<i>Unit: RMB10,000</i>	
		Total investment	Financed by
No.	Name of project	amount	the Fund
			Raised
1	The reconstruction project of Lanzhou Zhuangyuan Pasture Co., Ltd., with daily production capacity of 600 tonnes of liquid milk	30,531.14	20,000.00
2	Recycling industrial park project of a dairy farm for 10,000 dairy cows in Jinchuan District, owned by Gansu Ruijia Farming Co., Ltd.	49,834.57	20,000.00
		_____	_____
	Total	<u><u>80,365.71</u></u>	<u><u>40,000.00</u></u>

The Board of Directors of the Company will make appropriate adjustment to the allotment of and the priority of the fund raised, and determine the specific investment amount for each of the projects, based on the net amount of the fund actually raised, the importance of each of the projects, provided that the investment projects shall not be changed. The shortage in the fund raised will be financed by the Company's own resources. The Company will invest in the projects with its own resources according to the actual development progress of the projects before the proceeds raised in this issuance are in place, and the proceeds raised in the issuance will be used to substitute the Company's funding in accordance with the procedures required by relevant laws after they are received into account.

18. Guarantee and security

This public offering of A Share Convertible Bonds provides guarantees, and specific guarantees will be submitted to the general meeting to authorize the Board to determine the same.

19. Deposit account for proceeds raised

The Company has established the relevant administrative measures for the proceeds raised by the Company. The proceeds of the A Share Convertible Bonds shall be maintained in an account designated by the Board. Details regarding the opening of the account will be determined by the Board before the issuance.

20. Validity period of the resolution for the issuance of A share convertible bonds

The resolution for the Proposed Issuance of A Share Convertible Bonds shall be valid for 12 months from the date on which the A Share Convertible Bond Issuance Plan is approved at the EGM and the Class Meetings.

Securities Abbreviation: Zhuangyuan Pasture

Securities Code: 002910

Lanzhou Zhuangyuan Pasture CO., LTD.
(Domicile: Sanjiaocheng Village, Sanjiaocheng Township,
Yuzhong County, Lanzhou City, Gansu Province)



**PLAN ON PUBLIC ISSUANCE OF A SHARE
CONVERTIBLE CORPORATE BONDS**

January 2019

CORPORATE ANNOUNCEMENT

1. The Company and all members of the Board of Directors guarantee that any information disclosed is true, accurate and complete and confirm that there are no false records, misleading statements or material omissions.

2. After the public issuance of convertible corporate bonds, the Company will be responsible for changes in the Company's operations and income; investors will be responsible for investment risks arising from the public issuance of A share convertible corporate bonds.

3. This plan is a statement by the Board of Directors of the Company on the public issuance of A share convertible corporate bonds. Any statement to the contrary shall be false.

4. If investors have any questions, they shall consult their own stockbrokers, lawyers, professional accountants or other professional advisors.

5. The items stated in this plan do not represent the substantive judgment, confirmation, ratification or approval by the approving authority of any matters related to the public issuance of A share convertible corporate bonds. The entry into force and completion of any matters related to the public issuance of A share convertible corporate bonds stated in this plan are subject to ratification or approval by the relevant approving authority.

IMPORTANT CONTENT NOTE

1. Name of securities to be issued publicly and method of issuance: A share convertible corporate bonds with the total amount of not more than RMB400 million (including RMB400 million) will be issued publicly. The specific size of issuance shall be determined by the Board of Directors within the above range, subject to the authorisation by the shareholders at the general meeting.

2. Whether the related parties are involved in the public issuance: the original A share shareholders of the Company shall be granted the priority of placement in the public issuance of A share convertible corporate bonds, and the original A share shareholders shall have the right to waive their priority of placement. The specific prior placement ratio and quantity shall be determined by the Board of Directors according to the market conditions prior to the issuance, subject to the authorisation by the shareholders at the general meeting, and shall be disclosed in the issuance announcement for the issuance and the offering document of A share convertible corporate bonds.

APPENDIX II PRELIMINARY PLAN OF THE PROPOSED ISSUANCE OF A SHARE CONVERTIBLE BONDS

DEFINITIONS

Unless the context otherwise indicates, the following terms shall have the meanings set forth below:

Company, Listed Company, Zhuangyuan Pasture or Issuer	Lanzhou Zhuangyuan Pasture Co., Ltd.
Controlling Shareholder or Actual Controller	Mr. Ma Hongfu
Qinghaihu Dairy	Qinghai Qinghaihu Dairy Co., Ltd., a wholly-owned subsidiary of the Issuer
Dongfang Dairy	Xi'an Dongfang Dairy Industry Co., Ltd., a wholly-owned subsidiary of the Issuer
General Meeting of Shareholders	the General Meeting of Shareholders of Lanzhou Zhuangyuan Pasture Co., Ltd.
Board of Directors	the Board of Directors of Lanzhou Zhuangyuan Pasture Co., Ltd.
Board of Supervisors	the Board of Supervisors of Lanzhou Zhuangyuan Pasture Co., Ltd.
Articles of Association	the Articles of Association of Lanzhou Zhuangyuan Pasture Co., Ltd.
Company Law	the Company Law of the People's Republic of China
Securities Law	the Securities Law of the People's Republic of China
Administrative Measures	the Administrative Measures for the Issuance of Securities by Listed Companies
Reporting Periods	2016, 2017 and 2018
Ends of Reporting Periods	31 December 2016, 31 December 2017 and 31 December 2018
Yuan and Ten Thousand Yuan	RMB Yuan and RMB Ten Thousand Yuan
A Shares	RMB denominated ordinary shares of RMB1.00 each
CSRC	China Securities Regulatory Commission
SZSE	Shenzhen Stock Exchange
CSDCC	Shenzhen Branch of China Securities Depository and Clearing Corporation Limited

Note: except as otherwise stated in this plan, all numerical values shall be rounded to 2 decimal places. Any inequality of the mantissa of the total to the mantissa of the sum of the values of the sub-items is caused by rounding.

APPENDIX II PRELIMINARY PLAN OF THE PROPOSED ISSUANCE OF A SHARE CONVERTIBLE BONDS

I. THE ISSUANCE SATISFIES THE CONDITIONS OF THE PUBLIC ISSUANCE OF SECURITIES STATED IN THE MEASURES FOR THE ADMINISTRATION OF THE ISSUANCE OF SECURITIES BY LISTED COMPANIES

Pursuant to the relevant requirements under the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China, the Administrative Measures for the Issuance of Securities by Listed Companies and other laws, regulations and normative documents, upon the review on the Company's actual situation item by item by the Board of Directors of Lanzhou Zhuangyuan Pasture Co., Ltd., the Board of Directors believes that the Company has satisfied all the provisions of the existing laws, regulations and normative documents in relation to the public issuance of A share convertible corporate bonds and met the conditions for the public issuance of A share convertible corporate bonds.

II. OVERVIEW OF THE ISSUANCE

(1) Type of securities to be issued

The type of the securities to be issued is convertible corporate bonds which can be converted into A shares of the Company (hereinafter referred to as "Convertible Bonds"). The Convertible Bonds and the A shares to be converted will be listed on Shenzhen Stock Exchange.

(2) Size of issuance

In accordance with the relevant laws and regulations and normative documents and combined with the financial position and investment plan of the Company, the total amount of the Convertible Bonds proposed to be issued publicly will not exceed RMB400 million (including RMB400 million). The actual size of the issuance shall be determined by the Board of Directors within the above range, subject to the authorisation by the shareholders at the general meeting.

(3) Par value and issue price

The Convertible Bonds will be issued at par with a nominal value of RMB100 each.

(4) Term of Convertible Bonds

According to the relevant laws and regulations and normative documents and the schedule of implementation of the project in which the funds raised by the Company's convertible bonds will be invested, and combined with the size of issuance of the Convertible Bonds and the Company's future operation and financial situation, the term of the Convertible Bonds will be 6 years from the date of the issuance.

APPENDIX II PRELIMINARY PLAN OF THE PROPOSED ISSUANCE OF A SHARE CONVERTIBLE BONDS

(5) Nominal interest rate

The nominal interest rate of the Convertible Bonds to be issued and the final interest rate of each interest accrual year shall be determined by the Board of Directors upon negotiation with the sponsor institution (the lead underwriter) in accordance with national policies, market conditions and the actual conditions of the Company, subject to the authorisation by the shareholders at the general meeting.

In case of any adjustment of bank deposit interest rates before completion of the issuance of the Convertible Bonds, the General Meeting of Shareholders shall authorize the Board of Directors to adjust the nominal interest rate accordingly.

(6) Method and timing of interest payment

The interest of the Convertible Bonds to be issued will be paid annually, and the principal and the interest for the final year will be paid upon maturity.

1. Calculation of annual interest

Annual Interest refers to the current interest available to the holders of the Convertible Bonds for each full year from the date of the issuance of the Convertible Bonds according to the aggregate nominal value of the Convertible Bonds held by them.

The formula for calculating the Annual Interest is: $I=B*i$

I: denotes the Annual Interest;

B: denotes the aggregate nominal value of the Convertible Bonds held by a Convertible Bond holder as at the record date for interest payment in an interest accrual year (hereinafter referred to as “That Year” or “Each Year”);

i: denotes the nominal interest rate of the Convertible Bonds of That Year.

2. Method of interest payment

The interest of the Convertible Bonds to be issued will be paid annually, accruing from the date of the issuance of the Convertible Bonds.

Interest payment date: The interest is payable annually on each anniversary of the date of the issuance of the Convertible Bonds. Where such a date falls on a statutory holiday or rest day, the interest payment date shall be postponed to the next trading day, with no additional interest accrued during the period of postponement. The period between any two consecutive interest payment dates will be an interest accrual year. The ownership of the interest and dividends in the conversion year and other matters shall be determined by the Board of Directors of the Company in accordance with the relevant laws and regulations and the regulations of the Shenzhen Stock Exchange.

APPENDIX II PRELIMINARY PLAN OF THE PROPOSED ISSUANCE OF A SHARE CONVERTIBLE BONDS

Record date for interest payment: The record date for interest payment in each year will be the trading day immediately preceding the interest payment date. The Company will pay the interest accrued for that year within five trading days from the interest payment date. Where a Convertible Bond holder applies for converting his/her Convertible Bonds into A Share Convertible Bonds before the record date for interest payment in any interest accrual year, that Convertible Bond holder shall not be entitled to any interest for that year and any subsequent interest accrual year.

Any tax payable on the interest income obtained by a Convertible Bond holder shall be borne by that Convertible Bond holder.

(7) Conversion period

The conversion period of the Convertible Bonds to be issued shall commence on the first trading day immediately following the expiration of the six-month period after the date of the issuance of the Convertible Bonds, and end on the maturity date of the Convertible Bonds.

(8) Determination and adjustment of the conversion price

1. Determination of the initial conversion price

The initial conversion price of the Convertible Bonds to be issued shall not be lower than the average trading price of A shares during the 20 trading days immediately preceding the date of publication of the Offering Document for the Public Issuance of A Share Convertible Corporate Bonds by Lanzhou Zhuangyuan Pasture Co., Ltd. (hereinafter referred to as “Offering Document of Convertible Bonds”) (in the event that during such 20 trading days, the share price has been adjusted due to ex-rights or ex-dividend, the average share price for the trading days before the adjustment shall be accordingly adjusted with reference to the adjusted share price following the ex-rights or ex-dividend) and the average trading price of A shares on the trading day immediately preceding the date of publication of the Offering Document. The actual initial conversion price shall be determined by the Board of Directors upon negotiation with the sponsor institution (the lead underwriter) in accordance with the market conditions and actual conditions of the Company, subject to the authorisation by the shareholders at the general meeting.

The average trading price of A shares for the 20 trading days immediately preceding the date of publication of the Offering Document=the total trading amount of A shares during such 20 trading days/the total trading volume of A shares during such 20 trading days; the average trading price of A shares for the trading day immediately preceding the date of publication of the Offering Document=the total trading amount of A shares on such a trading day/the total trading volume of A shares on such a trading day.

APPENDIX II PRELIMINARY PLAN OF THE PROPOSED ISSUANCE OF A SHARE CONVERTIBLE BONDS

2. Method of adjustment to the conversion price and calculation formula

When there are any changes in the shares of the Company in certain events subsequent to the issuance of the Convertible Bonds such as distribution of share dividends, capitalisation, issuance of new shares, rights issue and distribution of cash (excluding any increase in the share capital as a result of conversion of the Convertible Bonds), the Company will adjust the conversion price based on the following formula (rounded to two decimal places):

Distribution of share dividends or capitalisation: $P1=P0/(1+n)$;

Issuance of new shares or rights issue: $P1=(P0+A*k)/(1+k)$;

The above two events occurring concurrently: $P1=(P0+A*k)/(1+n+k)$;

Distribution of cash dividends: $P1=P0-D$;

The above three events occurring concurrently: $P1=(P0-D+A*k)/(1+n+k)$.

In the aforesaid formula, “P1” denotes the adjusted conversion price; “P0” denotes the conversion price before the adjustment; “n” denotes the rate of distribution of share dividends or capitalisation; “A” denotes the price of issuance of new shares or rights issue; “k” denotes the rate of issuance of new shares or rights issue; and “D” denotes the cash dividend per share.

Upon occurrence of any changes in the above-mentioned shares and/or Shareholders’ interests, the Company will adjust the conversion price in accordance with the above method, and an announcement on the board resolution will be made on the media designated by CSRC for information disclosure of listed companies. Such an announcement will indicate the date of the adjustment to the conversion price, method of the adjustment and suspension period of share conversion (if necessary). If the conversion price adjustment date is on or after the date on which an a Convertible Bond holder applies for conversion of his/her Convertible Bonds but before the registration date of the shares to be issued upon conversion, such conversion will be executed based on the adjusted conversion price.

In the event that the Convertible Bond holders’ interests or the interests derived from the share conversion of the Convertible Bonds are affected by the change in the Company’s share class, quantity and/or Shareholders’ interests due to any possible share repurchase, consolidation, division or any other circumstances, the Company will adjust the conversion price based on the actual situations and in accordance with the principles of fairness, justice and equality so as to fully protect the interests of the Convertible Bond holders. The details of the adjustment to the conversion price and its implementation measures shall be determined in accordance with the relevant national laws and regulations and the relevant requirements of the securities regulatory authorities.

APPENDIX II PRELIMINARY PLAN OF THE PROPOSED ISSUANCE OF A SHARE CONVERTIBLE BONDS

(9) Method for determining the number of converted shares and method of dealing with the amount of less than one share upon conversion

When a holder of the Convertible Bonds to be issued applies for conversion during the conversion period, the number of converted shares Q is calculated as follows: $Q=V/P$, and an integral multiple of one share shall be taken by rounding down.

In the above formula, “V” denotes the total nominal value of the Convertible Bonds at the time of application for conversion by the Convertible Bond holders; “P” denotes the conversion price in force on the date of application for conversion.

The shares into which the Convertible Bond holders apply for conversion shall be an integral multiple of one share. In respect of the balance of the Convertible Bonds that is insufficient to be converted into one share at the time of conversion, the Company will, in accordance with the relevant regulations of Shenzhen Stock Exchange and other departments, cash the nominal balance of the Convertible Bonds and the corresponding interest payable for the current period within five trading days following the date of conversion by the Convertible Bond holders.

(10) Terms of downward adjustment to the conversion price

1. Authorisation and magnitude of adjustment

If, during the term of the Convertible Bonds to be issued, the closing prices of A shares in at least 15 trading days out of any 30 consecutive trading days are lower than 90% of the prevailing conversion price, the Board of Directors may propose a downward adjustment to the conversion price to Shareholders at the general meeting for their consideration and approval.

The above-mentioned proposal is subject to approvals of more than two-thirds of the voting rights of the shareholders who attend the general meeting. Shareholders who hold the Convertible Bonds to be issued shall abstain from voting at the general meeting. The adjusted conversion price shall be no less than the higher of the average trading price of A shares during the 20 trading days immediately preceding the date of such a general meeting and the average trading price of A shares on the trading day immediately preceding the date of such a general meeting, and shall be no less than the latest audited net assets per share and the nominal value of the shares.

In the event that an adjustment to the conversion price by the Company is made during the aforementioned 30 trading days, in respect of the trading days prior to the adjustment to the conversion price, the calculation shall be based on the unadjusted conversion price and the closing price on each such day, while in respect of the trading day on which adjustment to the conversion price is made and the trading days afterwards, the calculation shall be based on the adjusted conversion price and the closing price on each such day.

APPENDIX II PRELIMINARY PLAN OF THE PROPOSED ISSUANCE OF A SHARE CONVERTIBLE BONDS

2. Adjustment procedures

If the Company decides to make a downward adjustment to the conversion price, the Company shall publish an announcement in relation to the resolution of the General Meeting of Shareholders on media designated by CSRC for information disclosure. Such an announcement shall disclose information including the magnitude of the adjustment, the registration date of the shares and the suspension period of share conversion. Application for conversion of the Convertible Bonds at the adjusted conversion price shall be resumed upon the first trading day after the registration date (i.e. the conversion price adjustment date).

If the conversion price adjustment date is on or after the date of the application for conversion but before the registration date of the shares to be issued upon conversion, such conversion will be executed based on the adjusted conversion price.

(11) Terms of redemption

1. Terms of redemption upon maturity

Within 5 trading days upon maturity of the Convertible Bonds to be issued, the Company will redeem from investors all the Convertible Bonds which have not been converted into shares by then at a price equal to the nominal value of the Convertible Bonds increased at a certain rate (including the final annual interest). The specific increase ratio shall be determined by the Board of Directors upon negotiation with the sponsor institution (the lead underwriter) with reference to the market conditions, subject to the authorisation by the shareholders at the general meeting.

2. Terms of conditional redemption

During the conversion period of the Convertible Bonds to be issued, when either of the following two circumstances occurs, the Company shall have the right to redeem all or part of the outstanding Convertible Bonds, at a price equal to the nominal value of the Convertible Bonds plus the then accrued interest.

- (1) During the conversion period of the Convertible Bonds to be issued, if the closing prices of A shares during at least 15 trading days out of any 30 consecutive trading days are no less than 130% (inclusive) of the prevailing conversion price;
- (2) When the aggregate nominal value of the outstanding Convertible Bonds is lower than RMB30 million,

The formula for calculating the then accrued interest is: $IA=B \times i \times t/365$.

In the above formula, “IA” denotes the accrued interest for the current period; “B” denotes the aggregate nominal value of the Convertible Bonds to be redeemed that are held by the Convertible Bond holders; “i” denotes the nominal interest rate of the Convertible Bonds in an interest accrual year; “t” denotes the number of days on which interest is accrued, i.e. the actual number of calendar days from the last interest payment date up to the redemption date of that interest accrual year (including the last interest payment date and excluding the redemption date).

APPENDIX II PRELIMINARY PLAN OF THE PROPOSED ISSUANCE OF A SHARE CONVERTIBLE BONDS

In case of any adjustment of the conversion price within the aforesaid thirty trading days, in respect of the trading days prior to the adjustment to the conversion price, the calculation shall be based on the unadjusted conversion price and the closing price on each such day, while in respect of the trading day on which adjustment to the conversion price is made and the trading days afterwards, the calculation shall be based on the adjusted conversion price and the closing price on each such day.

(12) Terms of sale back

1. Terms of conditional sale back

During the last two interest accrual years within the term of the Convertible Bonds, if the closing prices of the A Shares on any 30 consecutive trading days are lower than 70% of the prevailing conversion price, the Convertible Bond holders are entitled to sell back all or part of their Convertible Bonds to the Company at par plus the then accrued interest.

In the event that an adjustment to the conversion price by the Company is made due to events such as distribution of share dividends, capitalisation, issuance of new shares (excluding any increase in the share capital as a result of conversion of the Convertible Bonds), rights issue and distribution of cash dividends during the aforementioned trading days, in respect of the trading days prior to the adjustment to the conversion price, the calculation shall be based on the unadjusted conversion price and the closing price on each such day, and in respect of the days on which the adjustment to the conversion price is made and the trading days afterwards, the calculation shall be based on the adjusted conversion price and the closing price on each such day. In the event that there is a downward adjustment to the conversion price, the aforesaid “30 consecutive trading days” shall be re-counted from the first trading day following the adjustment to the conversion price.

During the last two interest accrual years within the term of the Convertible Bonds, the Convertible Bond holders can exercise their sale back rights once every year upon the first satisfaction of the conditions of the sale back in accordance with the abovementioned terms. If the Convertible Bond holders, upon the first satisfaction of the conditions of the sale back, do not apply for and exercise their sale back rights during the sale back declaration period announced by the Company, they are not entitled to exercise their sale back rights during that interest accrual year. The Convertible Bond holders are not allowed to exercise part of their sale back rights repeatedly.

2. Additional terms of sale back

If the actual use of the proceeds from the public issuance of the Convertible Bonds significantly differs from the undertakings of the use of proceeds set out by the Company in the Offering Document, and such a change is regarded or determined by CSRC as a change in the use of proceeds according to the relevant regulations of the CSRC, the Convertible Bond holders will be entitled to a one-off right to sell all or part of the Convertible Bonds back to the Company at par plus the then accrued interest. The Convertible Bond holders can exercise their sale back

APPENDIX II PRELIMINARY PLAN OF THE PROPOSED ISSUANCE OF A SHARE CONVERTIBLE BONDS

rights upon the satisfaction of the additional terms of sale back during the additional sale back declaration period as announced by the Company. If the Convertible Bond holders do not exercise their sale back rights during the declaration period, they shall not be entitled to exercise such rights in the future.

The formula for calculating the above accrued interest for the current period is as follows:
$$IA=B \times i \times t/365$$

In the above formula, “IA” denotes the accrued interest for the current period; “B” denotes the aggregate nominal value of the Convertible Bonds to be sold back that are held by the Convertible Bond holders; “i” denotes the nominal interest rate of the Convertible Bonds in an interest accrual year; “t” denotes the number of days on which interest is accrued, i.e. the actual number of calendar days from the last interest payment date up to the sale back date of that interest accrual year (including the last interest payment date and excluding the sale back date).

(13) Entitlement to dividend in the year of conversion

The new A shares to be issued as a result of the conversion of the Convertible Bonds shall rank pari passu with all the existing A shares. All ordinary shareholders (including those becoming ordinary shareholders as a result of the conversion of the Convertible Bonds) whose names are recorded on the register of members of the Company (as at the closing of the afternoon session) on the share registration date for dividend distribution shall be entitled to receive the dividend of that period and enjoy equal rights and interests.

(14) Method of issuance and target investors

The actual method of the issuance of the Convertible Bonds will be determined by the Board of Directors upon negotiation with the sponsor institution (the lead underwriter), subject to authorisation by the Shareholders at the general meeting. The target investors of the Convertible Bonds are natural persons, legal persons, securities investment funds and other investors in compliance with the legal requirements, who have maintained securities accounts in the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited (excluding those prohibited by national laws and regulations).

(15) Subscription arrangement for the existing shareholders

The existing A Shareholders are entitled to the pre-emptive rights to subscribe for the Convertible Bonds. It will be proposed at the General Meeting of Shareholders to authorise the Board of Directors to determine the actual amount of the Convertible Bonds which are subject to the above-mentioned pre-emptive rights in accordance with the actual situations upon the issuance. Such determination shall be disclosed in the announcement on the issuance of the Convertible Bonds. The Convertible Bonds which are not subject to the above-mentioned pre-emptive rights of the existing A Shareholders and which are not subscribed for upon the exercise of the above-mentioned pre-emptive rights by the existing A Shareholders will be either offered to institutional investors offline or issued by way of online pricing through the trading

APPENDIX II PRELIMINARY PLAN OF THE PROPOSED ISSUANCE OF A SHARE CONVERTIBLE BONDS

system of the Shenzhen Stock Exchange, with the remaining balance underwritten by the lead underwriter. The actual method of the issuance of the Convertible Bonds will be determined by the Board of Directors upon negotiation with the sponsor institution (the lead underwriter), subject to authorisation by the Shareholders at the general meeting.

(16) Matters relating to Convertible Bond holders' meetings

1. Rights and obligations of the Convertible Bond holders

(1) Rights of the Convertible Bond holders

1. To attend or entrust their agents to attend a Convertible Bond holders' meeting and to exercise their voting rights in accordance with the laws, administrative regulations and other relevant provisions;
2. To require the Issuer to pay the principal and interest of the Convertible Bonds in accordance with the agreed time and manner;
3. To convert the Convertible Bonds held by them into A shares of the Issuer in accordance with the agreed terms;
4. To exercise their sale back rights according to the agreed conditions;
5. To assign, donate or pledge the Convertible Bonds held by them in accordance with the laws, administrative regulations and the Articles of Association of the Issuer;
6. To obtain the relevant information in accordance with the laws and the Articles of Association of the Issuer;
7. Other rights conferred by the laws, administrative regulations and the Articles of Association of the Issuer upon them as creditors of the Issuer.

(2) Obligations of the Convertible Bond holders

1. To comply with the relevant terms of the Issuer's issuance of Convertible Bonds;
2. To pay subscription money in accordance with the amount of the Convertible Bonds subscribed for by them;
3. To comply with valid resolutions adopted at the Convertible Bond holders' meetings;

APPENDIX II PRELIMINARY PLAN OF THE PROPOSED ISSUANCE OF A SHARE CONVERTIBLE BONDS

4. Not to require the Issuer to pay in advance the principal and interest of the Convertible Bonds except as stipulated in the laws and regulations and the Offering Document of Convertible Bonds;
5. Other obligations to be assumed by the Convertible Bond holders as required by the laws, administrative regulations and the Articles of Association of the Issuer.

2. Scope of authority for the Convertible Bond holders' meetings

(1) When the Issuer makes a proposal on the change of the plan stipulated in the Offering Document of Convertible Bonds, a resolution on whether to agree to the Issuer's proposal shall be made, provided that a resolution on the approval of the Issuer's nonpayment of the principal and interest of the current Convertible Bonds, the change of the interest rate and term of the current Convertible Bonds and the cancellation of the redemption or sale back terms in the Offering Document of Convertible Bonds;

(2) Where the Issuer fails to pay the principal and interest of the Convertible Bonds on schedule, the resolutions shall be made as to whether to approve the relevant solution, whether to entrust the pledgee's agent (if any) to compel the issuer and its guarantors (if any) to pay the principal and interest of the Convertible Bonds through litigation and other proceedings and whether to entrust the pledgee's agent (if any) to participate in the reorganization, settlement, restructuring or bankruptcy proceedings of the Issuer;

(3) In the event of any capital reduction (other than those resulting from any share repurchase under the share incentive plan), merger, division, dissolution or application for bankruptcy of the Issuer, a resolution shall be made as to whether to accept the Issuer's proposal and the plan for the exercise of the rights of the Convertible Bonds holders in accordance with the law;

(4) In the event of any significant adverse change of the guarantors (if any), a resolution shall be made on the plan for the exercise of the rights of the Convertible Bonds holders in accordance with the law;

(5) In the event of any matters that have a significant impact on the rights and interests of the Convertible Bonds holders, a resolution shall be made on the plan for the exercise of the rights of the Convertible Bonds holders in accordance with the law;

(6) A resolution on the amendments to these rules shall be made to the extent permitted by law;

(7) Other cases in which the laws, administrative regulations and normative documents provide for resolutions to be made at the Convertible Bonds holders' meetings.

APPENDIX II PRELIMINARY PLAN OF THE PROPOSED ISSUANCE OF A SHARE CONVERTIBLE BONDS

3. Convening of the Convertible Bonds holders' meetings

(1) A Convertible Bond holders' meeting shall be convened upon the occurrence of any of the following events:

1. The Company proposes to change the terms of the Offering Document of Convertible Bonds;
2. The Company defaults in paying the principal and interest of the Convertible Bonds for the current period on time;
3. The Company undertakes a capital reduction, merger, division or dissolution, or files for bankruptcy;
4. Amendments to these rules;
5. Significant changes in guarantors (if any) or collateral (if any);
6. Other matters which may affect the material interests of the Convertible Bond holders.
7. Other matters to be considered and determined at the Convertible Bond holders' meetings in accordance with the laws and administrative regulations, the regulations of the CSRC and the stock exchange on which the Convertible Bonds are traded and these rules.

If the Board of Directors of the Company fails to discharge its duties as provided for in these rules within 15 days from the date of the occurrence of the matters specified in Paragraph 2 above, the Convertible Bond holders holding more than 10% of the total nominal value of the outstanding Convertible Bonds individually or collectively shall be entitled to give a notice on the convening of a Convertible Bond holders' meeting in the form of an announcement.

(2) The following entities or persons may propose an a Convertible Bond holders' meeting:

1. The Board of Directors;
2. Persons, either individually or jointly, holding 10% or more of the aggregate nominal value of the outstanding Convertible bonds and proposing in writing; and
3. Other entities or persons prescribed by the laws and regulations and CSRC.

APPENDIX II PRELIMINARY PLAN OF THE PROPOSED ISSUANCE OF A SHARE CONVERTIBLE BONDS

(17) Use of proceeds

The total amount of proceeds from the public issuance of A share convertible corporate bonds will not exceed RMB400 million (inclusive), which will be used for the following projects:

Unit: Ten Thousand Yuan

No.	Name of project	Total investment amount	Financed by the Funds Raised
1	The reconstruction project of Lanzhou Zhuangyuan Pasture Co., Ltd., with daily production capacity of 600 tonnes of liquid milk	30,531.14	20,000.00
2	Recycling industrial park project of a dairy farm for 10,000 dairy cows in Jinchuan District, owned by Gansu Ruijia Farming Co., Ltd.	49,834.57	20,000.00
Total		80,365.71	40,000.00

The Board of Directors of the Company will make appropriate adjustment to the allotment of and the priority of the funds raised, and determine the specific investment amount for each of the projects, based on the net amount of the fund actually raised, the importance of each of the projects, provided that the investment projects shall not be changed. The shortage in the funds raised will be financed by the Company's own resources. The Company will invest in the projects with its own resources according to the actual development progress of the projects before the proceeds raised in this issuance are in place, and the proceeds raised in the issuance will be used to substitute the Company's funding in accordance with the procedures required by relevant laws after they are received into account.

(18) Guarantee and security

This public offering of A Share Convertible Corporate Bonds provide guarantees, and the specific guarantees will be submitted to the general meeting to authorize the Board of Directors to determine the same.

(19) Management and deposit account for proceeds raised

The Company has established the relevant administrative measures for the proceeds raised by the Company. The proceeds of the Convertible Bonds shall be maintained in an account for proceeds raised designated by the Board of Directors. Details regarding the opening of the account will be determined by the Board of Directors before the issuance.

(20) Validity period of the resolution

The Convertible Bonds issuance plan shall be valid for 12 months from the date on which the issuance plan is approved at the General Meeting of Shareholders.

The Convertible Bonds issuance plan shall not be implemented until approved by CSRC, and finally the plan approved by CSRC shall prevail.

APPENDIX II PRELIMINARY PLAN OF THE PROPOSED ISSUANCE OF A SHARE CONVERTIBLE BONDS

III. Financial accounting information and management discussion and analysis

(1) Consolidated financial statements for the last three years

1. Consolidated balance sheet

Unit: Yuan

Assets	31 December 2018	31 December 2017	31 December 2016
Current assets:			
Monetary capital	403,091,181.37	747,642,372.75	277,352,017.83
Notes receivable and accounts receivable	36,674,292.53	24,403,065.85	14,036,182.48
Including: notes receivable	200,000.00	—	—
accounts receivable	36,474,292.53	24,403,065.85	14,036,182.48
Prepayments	13,351,970.35	6,131,850.02	8,638,085.64
Other receivables	12,859,500.92	13,290,298.02	8,459,133.76
Inventories	88,920,515.66	71,078,079.91	75,056,150.90
Assets held for sale	—	6,458,501.72	—
Other current assets	2,732,075.27	3,087,413.98	—
Total current assets	557,629,536.10	872,091,582.25	383,541,570.61
Non-current assets:			
Available-for-sale financial assets	—	33,720,671.00	33,720,671.00
Other equity instrument investments	44,471.00	—	—
Fixed assets	939,220,755.53	625,799,144.70	649,886,647.22
Construction in process	37,670,284.43	40,475,357.07	32,991,482.70
Productive biological assets	270,304,000.00	175,815,804.71	126,289,066.55
Intangible assets	74,720,414.54	20,571,548.22	18,983,266.83
Goodwill	58,690,507.80	—	—
Long-term deferred expenses	8,121,802.02	1,629,589.78	1,643,755.31
Deferred income tax assets	7,437,269.96	4,877,752.80	4,108,356.81
Other non-current assets	94,270,000.00	28,736,250.06	90,423,075.90
Total non-current assets	1,490,479,505.28	931,626,118.34	958,046,322.32
Total assets	2,048,109,041.38	1,803,717,700.59	1,341,587,892.93

APPENDIX II PRELIMINARY PLAN OF THE PROPOSED ISSUANCE OF A SHARE CONVERTIBLE BONDS

Consolidated Balance Sheet (Continued)

Unit: Yuan

Liabilities and Shareholders' Equity	31 December 2018	31 December 2017	31 December 2016
Current liabilities:			
Short-term borrowings	437,000,000.00	406,000,000.00	300,000,000.00
Notes payable and accounts payable	195,492,406.72	120,877,706.97	109,355,778.61
Accounts collected in advance	—	20,565,928.77	20,289,629.93
Contractual liabilities	26,619,170.51	—	—
Employee compensation payable	3,137,339.49	6,186,062.94	6,575,435.59
Taxes payable	43,114,591.17	12,170,961.95	18,888,594.40
Other payables	41,599,096.36	21,251,742.31	18,601,046.60
Including: interests payable	367,508.92	403,694.71	431,893.67
Dividends payable	—	—	—
Non-current liabilities due within one year	33,751,973.50	20,054,483.87	13,151,330.20
Total current liabilities	780,714,577.75	607,106,886.81	487,293,709.00
Non-current liabilities:			
Long-term borrowings	39,559,300.45	26,559,671.60	44,500,000.00
Long-term payables	2,360,888.31	1,394,555.79	3,303,196.05
Accrued liabilities	11,403.51	—	—
Deferred income	34,758,573.96	40,991,391.67	46,256,278.33
Deferred income tax liabilities	6,297,564.28	—	—
Total non-current liabilities	82,987,730.51	68,945,619.06	94,059,474.38
Total liabilities	863,702,308.26	676,052,505.87	581,353,183.38
Shareholders' equity:			
Share capital	187,340,000.00	187,340,000.00	140,500,000.00
Capital reserve	508,790,782.09	508,790,782.09	246,127,082.09
Surplus reserve	37,194,404.27	32,051,090.62	28,203,412.51
Undistributed profit	451,081,546.76	399,483,322.01	345,404,214.95
Total shareholders' equity attributable to the parent company	1,184,406,733.12	1,127,665,194.72	760,234,709.55
Minority interest	—	—	—
Total shareholders' equity	1,184,406,733.12	1,127,665,194.72	760,234,709.55
Total liabilities and shareholders' equity	2,048,109,041.38	1,803,717,700.59	1,341,587,892.93

APPENDIX II PRELIMINARY PLAN OF THE PROPOSED ISSUANCE OF A SHARE CONVERTIBLE BONDS

2. Consolidated Income Statement

Unit: Yuan

Items	2018	2017	2016
I. Total operating revenue	657,732,097.02	628,374,037.21	665,823,164.22
Including: operating revenue	657,732,097.02	628,374,037.21	665,823,164.22
II. Total operating cost	609,310,975.09	576,092,354.43	577,946,872.92
Including: operating cost	445,395,298.89	435,408,364.01	440,697,574.50
Taxes and surcharges	5,008,543.37	3,578,501.45	3,693,700.49
Sales expenses	83,983,105.31	71,556,173.52	53,098,976.50
Management expenses	48,710,725.87	54,293,072.18	62,917,808.70
Research & development expenses	4,371,584.52	915,737.60	—
Financial expenses	21,200,766.68	11,140,062.88	17,809,520.68
Including: interest expenses	24,136,245.80	20,786,244.03	20,033,425.20
Interest income	3,541,023.80	2,263,128.18	2,325,042.91
Asset impairment loss	436,433.73	-799,557.21	-270,707.95
Credit impairment loss	204,516.72	—	—
Add: other income	13,437,230.26	10,786,929.40	—
Income from changes in fair value (loss expressed with “-”)	174,963.30	8,001,875.88	-15,043,786.45
Assets disposal income (loss expressed with “-”)	2,636,907.21	-276,141.49	-158,616.54
III. Operating profit	64,670,222.70	70,794,346.57	72,673,888.31
Add: Non-operating income	3,059,242.24	548,125.75	17,260,755.57
Less: Non-operating expenses	2,544,655.67	286,583.66	790,729.11
IV. Total profit	65,184,809.27	71,055,888.66	89,143,914.77
Less: income tax expenses	1,651,647.09	2,704,003.49	13,233,335.35
V. Net profit	63,533,162.18	68,351,885.17	75,910,579.42
Net profit attributable to shareholders of the parent company	63,533,162.18	68,351,885.17	75,910,579.42
VI. Total comprehensive income	63,533,162.18	68,351,885.17	75,910,579.42
Total comprehensive income attributable to shareholders of the parent company	63,533,162.18	68,351,885.17	75,910,579.42
VII. Earnings per share			
Basic earnings per share	0.34	0.46	0.54
Diluted earnings per share	0.34	0.46	0.54

APPENDIX II PRELIMINARY PLAN OF THE PROPOSED ISSUANCE OF A SHARE CONVERTIBLE BONDS

3. Consolidated Cash Flow Statement

Unit: Yuan

Items	2018	2017	2016
I. Cash flows from operating activities:			
Cash received from sales of goods and rendering of services	708,775,617.46	724,638,501.25	798,196,590.87
Other cash received relating to operating activities	44,760,821.46	28,575,770.61	6,965,415.40
Sub-total of cash inflows from operating activities	753,536,438.92	753,214,271.86	805,162,006.27
Cash payments for goods purchased and services received	487,287,131.67	423,462,498.87	456,870,684.88
Cash paid to and on behalf of employees	56,115,392.06	49,350,895.16	48,467,531.34
Payments for taxes and charges	35,012,712.36	43,823,357.44	51,397,804.23
Other cash payments relating to operating activities	71,398,435.81	91,403,186.32	74,238,906.93
Sub-total of cash outflows from operating activities	649,813,671.90	608,039,937.79	630,974,927.38
Net cash flows from operating activities	103,722,767.02	145,174,334.07	174,187,078.89
II. Cash flows from investing activities:			
Cash received from government subsidies	—	—	7,825,000.00
Cash received from return of advances by related parties and third parties	—	—	65,237,744.56
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	14,894,076.99	28,009,688.42	18,365,072.29
Other cash received relating to investing activities	13,377,231.82	20,510,675.32	44,658,755.88
Sub-total of cash inflows from investing activities	28,271,308.81	48,520,363.74	136,086,572.73
Cash payments to acquire and construct fixed assets, intangible assets and other long-term assets	212,545,812.60	73,039,629.77	160,662,618.21
Cash paid for advances to related parties and third parties	—	—	10,000,000.00
Cash payments for investments	200,892,400.00	—	—
Other cash payments relating to investing activities	14,300,079.98	24,993,838.13	—
Sub-total of cash outflows from investing activities	427,738,292.58	98,033,467.90	170,662,618.21
Net cash flows from investing activities	-399,466,983.77	-49,513,104.16	-34,576,045.48

**APPENDIX II PRELIMINARY PLAN OF THE PROPOSED ISSUANCE OF
A SHARE CONVERTIBLE BONDS**

Items	2018	2017	2016
III. Cash flows from financing activities:			
Cash received from absorption of investments	—	320,926,4000	—
Cash received from borrowings	460,000,000.00	431,380,0000	320,000,000.00
Sub-total of cash inflows from financing activities	460,000,000.00	752,306,400.00	320,000,000.00
Cash payments for debt repayments	469,488,212.43	335,199,956.07	384,000,000.00
Cash payments for distribution of dividends and profits or payment of interests	37,858,722.62	31,848,372.57	29,060,937.85
Payment of rental for financial leases	—	—	5,943,747.04
Other cash payments relating to financing activities	4,750,247.44	16,523,312.83	—
Sub-total of cash outflows from financing activities	512,097,182.49	383,571,641.47	419,004,684.89
Net cash flows from financing activities	-52,097,182.49	368,734,758.53	-99,004,684.89
IV. Effect of fluctuations in exchange rate on cash and cash equivalents	-263,581.13	-851,924.51	1,043,403.01
V. Net increase in cash and cash equivalents	-348,104,980.37	463,544,063.93	41,649,751.53
Add: Balance of cash and cash equivalents at the beginning of the period/year	736,896,081.76	273,352,017.83	231,702,266.30
VI. Balance of cash and cash equivalents at the end of the period/year	388,791,101.39	736,896,081.76	273,352,017.83

APPENDIX II PRELIMINARY PLAN OF THE PROPOSED ISSUANCE OF A SHARE CONVERTIBLE BONDS

(2) Financial statements of the parent company for the last three years

1. Balance Sheet of the Parent Company

Unit: Yuan

Assets	31 December 2018	31 December 2017	31 December 2016
Current assets:			
Monetary capital	302,152,523.33	685,225,413.30	152,659,036.32
Notes receivable and accounts receivable	23,420,606.04	17,719,619.46	80,053,755.42
Including: notes receivable	200,000.00	—	—
Accounts receivable	23,220,606.04	17,719,619.46	80,053,755.42
Prepayments	3,171,102.84	1,126,929.20	3,265,541.81
Other receivables	493,110,386.83	394,958,085.86	371,715,791.47
Inventories	21,986,320.79	26,893,582.44	25,887,032.63
Assets held for sale	—	6,458,501.72	—
Other current assets	1,609,155.29	3,086,324.24	—
Total current assets	845,450,095.12	1,135,468,456.22	633,581,157.65
Non-current assets:			
Available-for-sale financial assets	—	33,720,671.00	33,720,671.00
Long-term equity investments	524,788,965.98	233,013,711.60	233,013,711.60
Other equity instrument investments	44,471.00	—	—
Fixed assets	205,199,246.35	152,026,789.22	167,564,068.89
Construction in process	16,629,400.99	31,842,871.09	27,536,854.55
Intangible assets	58,118,767.50	4,636,409.36	11,446,621.64
Long-term deferred expenses	5,242,718.45	—	—
Deferred income tax assets	3,225,755.75	3,000,352.28	3,181,982.19
Other non-current assets	60,400,000.00	15,066,250.06	70,432,600.00
Total non-current assets	873,649,326.02	473,307,054.61	546,896,509.87
Total assets	1,719,099,421.14	1,608,775,510.83	1,180,477,667.52

APPENDIX II PRELIMINARY PLAN OF THE PROPOSED ISSUANCE OF A SHARE CONVERTIBLE BONDS

Balance Sheet (Continued)

Unit: Yuan

Liabilities and Shareholders' Equity	31 December 2018	31 December 2017	31 December 2016
Current liabilities:			
Short-term borrowings	420,000,000.00	350,000,000.00	230,000,000.00
Notes payable and accounts payable	76,860,949.67	71,795,379.01	91,120,463.19
Accounts collected in advance	—	18,920,787.24	17,480,690.08
Contractual liabilities	19,174,228.30	—	—
Employee compensation payable	2,018,151.21	4,620,355.61	4,556,555.44
Taxes payable	38,217,540.12	10,900,141.13	15,930,778.73
Other payables	57,546,859.24	79,507,470.97	96,974,276.00
Including: interests payable	359,274.20	237,351.61	224,693.33
Dividends payable	—	—	—
Non-current liabilities due within one year	5,308,359.35	14,515,413.87	4,019,343.53
Total current liabilities	619,126,087.89	550,259,547.83	460,306,800.30
Non-current liabilities:			
Long-term borrowings	19,439,300.45	21,559,671.60	18,000,000.00
Long-term payables	—	1,394,555.79	3,303,196.05
Accrued liabilities	6,776.34	—	—
Deferred income	13,260,249.95	14,151,100.00	15,012,416.67
Deferred income tax liabilities	1,214,858.16	—	—
Total non-current liabilities	33,921,184.90	37,105,327.39	36,315,612.72
Total liabilities	653,047,272.79	587,364,875.22	496,622,413.02
Shareholders' equity:			
Share capital	187,340,000.00	187,340,000.00	140,500,000.00
Capital reserve	531,302,474.16	531,302,474.16	268,638,774.16
Surplus reserve	37,194,404.27	32,051,090.62	28,203,412.51
Undistributed profit	310,215,269.92	270,717,070.83	246,513,067.83
Total shareholders' equity	1,066,052,148.35	1,021,410,635.61	683,855,254.50
Total liabilities and shareholders' equity	1,719,099,421.14	1,608,775,510.83	1,180,477,667.52

APPENDIX II PRELIMINARY PLAN OF THE PROPOSED ISSUANCE OF A SHARE CONVERTIBLE BONDS

2. Income Statement of the Parent Company

Unit: Yuan

Items	2018	2017	2016
I. Operating revenue	482,024,740.39	440,812,328.28	462,730,864.62
Less: operating cost	330,032,253.16	315,162,803.03	308,181,689.59
Taxes and surcharges	3,144,406.15	2,277,587.76	2,190,259.53
Sales expenses	53,245,012.96	46,163,503.23	35,206,227.44
Management expenses	27,552,724.61	28,388,803.88	35,847,425.17
Research & development expenses	3,107,274.02	792,431.12	—
Financial expenses	18,662,557.20	7,908,555.42	13,408,155.58
Including: interest expenses	20,966,944.65	15,557,104.06	—
Interest income	3,010,692.90	1,120,796.80	—
Asset impairment loss	197,141.12	-273,604.53	24,574.61
Credit impairment loss	18,726.68	—	—
Add: other income	6,141,533.98	2,056,398.74	—
Assets disposal income	2,603,031.01	-78,378.75	-99,577.96
II. Operating profit	54,809,209.48	42,370,268.36	67,772,954.74
Add: Non-operating income	1,120,261.78	36,422.90	7,287,105.86
Less: Non-operating expenses	1,196,594.42	274,880.76	762,998.72
III. Total profit	54,732,876.84	42,131,810.50	74,297,061.88
Less: income tax expenses	3,299,740.32	3,655,029.39	9,467,755.97
IV. Net profit	51,433,136.52	38,476,781.11	64,829,305.91
V. Total comprehensive income	51,433,136.52	38,476,781.11	64,829,305.91

APPENDIX II PRELIMINARY PLAN OF THE PROPOSED ISSUANCE OF A SHARE CONVERTIBLE BONDS

3. Cash Flow Statement of the Parent Company

Unit: Yuan

Items	2018	2017	2016
I. Cash flows from operating activities:			
Cash received from sales of goods and rendering of services	535,253,810.86	578,379,939.50	546,849,672.83
Other cash received relating to operating activities	68,935,723.89	23,873,582.46	4,557,465.14
Sub-total of cash inflows from operating activities	604,189,534.75	602,253,521.96	551,407,137.97
Cash payments for goods purchased and services received	500,674,586.90	354,868,428.05	353,221,301.63
Cash paid to and on behalf of employees	30,820,047.96	28,674,914.30	28,867,009.62
Payments for taxes and charges	29,276,081.15	35,328,324.25	36,411,092.77
Other cash payments relating to operating activities	87,261,930.82	53,268,150.81	48,720,850.85
Sub-total of cash outflows from operating activities	648,032,646.83	472,139,817.41	467,220,254.87
Net cash flows from operating activities	-43,843,112.08	130,113,704.55	84,186,883.10
II. Cash flows from investing activities:			
Cash received from government subsidies	—	—	1,790,000.00
Cash received from return of advances by related parties and third parties	—	—	65,237,744.56
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	8,345,032.49	1,355,865.71	22,772.00
Other cash received relating to investing activities	13,377,231.82	15,715,058.90	69,290,356.29
Sub-total of cash inflows from investing activities	21,722,264.31	17,070,924.61	136,340,872.85
Cash payments to acquire and construct fixed assets, intangible assets and other long-term assets	170,618,329.06	11,949,603.48	26,959,271.85
Cash payments for investments	201,892,400.00	—	—
Cash paid for advances to related parties and third parties	—	—	10,000,000.00
Other cash payments relating to investing activities	14,300,079.98	24,993,838.13	49,000,000.00
Sub-total of cash outflows from investing activities	386,810,809.04	36,943,441.61	85,959,271.85
Net cash flows from investing activities	-365,088,544.73	-19,872,517.00	50,381,601.00

**APPENDIX II PRELIMINARY PLAN OF THE PROPOSED ISSUANCE OF
A SHARE CONVERTIBLE BONDS**

Items	2018	2017	2016
III. Cash flows from financing activities:			
Cash received from absorption of investments	—	320,926,400.00	—
Cash received from borrowings	440,000,000.00	375,380,000.00	230,000,000.00
Sub-total of cash inflows from financing activities	440,000,000.00	696,306,400.00	230,000,000.00
Cash payments for debt repayments	380,178,212.43	240,699,956.07	308,000,000.00
Cash payments for distribution of dividends and profits or payment of interests	34,702,981.15	26,652,308.38	23,931,470.56
Payment of rental for financial leases	—	—	5,943,747.04
Other cash payments relating to financing activities	2,550,247.44	16,523,312.83	—
Sub-total of cash outflows from financing activities	417,431,441.02	283,875,577.28	337,875,217.60
Net cash flows from financing activities	22,568,558.98	412,430,822.72	-107,875,217.60
IV. Effect of fluctuations in exchange rate on cash and cash equivalents	-263,581.13	-851,924.51	1,043,403.01
V. Net increase in cash and cash equivalents	-386,626,678.96	521,820,085.76	27,736,669.51
Add: Balance of cash and cash equivalents at the beginning of the period/year	674,479,122.31	152,659,036.55	124,922,367.04
VI. Balance of cash and cash equivalents at the end of the year	287,852,443.35	674,479,122.31	152,659,036.55

APPENDIX II PRELIMINARY PLAN OF THE PROPOSED ISSUANCE OF A SHARE CONVERTIBLE BONDS

(3) Scope and changes of consolidated statements

As of 31 December 2018, the status of the subsidiaries included in the consolidated statements is as follows:

No.	Company Name	Registered Address	Scope of Business	Registered Capital (Ten Thousand Yuan)	Proportion of Equity
1	Qinghai Qinghai Lake Dairy Co., Ltd.	Xining City, Qinghai Province	Production and sales of dairy products liquid milk (pasteurized milk, modulated milk, sterilized milk, fermented milk); drinks (protein drinks, solid drinks); wholesale and retail of pre-packaged food and bulk food and dairy products (excluding infant formula milk powder); production and sales of bio-organic fertilizer (the items in the above scope of business which are subject to approval according to law shall be operated only after approved by the relevant departments).	3000.00	100%
2	Qinghai Shengya Plateau Pasture Co., Ltd.	Huangzhong County, Xining City	dairy cow breeding, purchase of grain and oil, sales of fresh milk	3000.00	100%
3	Qinghai Shengyuan Pasture Co., Ltd.	Huangyuan County, Xining City	Breeding and sales of dairy cow; sales of fresh milk (the items in the above scope of business which are subject to approval according to law shall be operated only after approved by the relevant departments)	3000.00	100%
4	Yuzhong Ruifeng Pasture Co., Ltd.	Yuzhong County, Lanzhou City	dairy cow breeding; sales of forage grass; breeding technical services; site lease	2000.00	100%
5	Linxia County Ruiyuan Pasture Co., Ltd.	Linxia County, Linxia State	Fresh milk acquisition, sales of halal dairy products and feedstuff, site lease, dairy cow breeding, sales of fresh milk, cow sales, veterinary services (animal disease diagnosis and treatment, retail of veterinary drugs), breeding technical services (the items in the above scope of business which are subject to approval according to law shall be operated only after approved by the relevant departments)	3000.00	100%

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A SHARE CONVERTIBLE BONDS**

No.	Company Name	Registered Address	Scope of Business	Registered Capital (Ten Thousand Yuan)	Proportion of Equity
6	Linxia County Ruian Pasture Co., Ltd.	Linxia County, Linxia State	Fresh milk acquisition, sales of halal dairy products and feedstuff, site lease, dairy cow breeding, sales of fresh milk, cow sales, veterinary services (animal disease diagnosis and treatment, retail of veterinary drugs), breeding technical services (the items in the above scope of business which are subject to approval according to law shall be operated only after approved by the relevant departments)	2000.00	100%
7	Wuwei Ruida Pasture Co., Ltd.	Liangzhou District, Wuwei City	dairy cow breeding; sales of dairy cow; fresh milk acquisition; sales of agricultural products; feedstuff sales; site lease; breeding technology development and advisory services (the items in the above scope of business which are subject to approval according to law shall be operated only after approved by the relevant departments)	2000.00	100%
8	Ningxia Zhuangyuan Pasture Co., Ltd.	Wuzhong City, Ningxia	dairy cow breeding; site lease; forage grass processing; veterinary services (the items in the above scope of business which are subject to approval according to law shall be operated only after approved by the relevant departments)	2000.00	100%
9	Lanzhou Ruixing Farming Co., Ltd.	Yongdeng County, Lanzhou City	dairy cow breeding; dairy cow sales; sales of fresh milk; feedstuff sales; site lease; breeding technology research and development; breeding technical services (the items in the above scope of business which are subject to approval according to law shall be operated only after approved by the relevant departments)	1000.00	100%

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A SHARE CONVERTIBLE BONDS**

No.	Company Name	Registered Address	Scope of Business	Registered Capital (Ten Thousand Yuan)	Proportion of Equity
10	Gansu Ruijia Farming Co., Ltd.	Jinchang City, Gansu Province	dairy cow breeding and sales (operated with the valid Certificate of Qualification for Animal Epidemic Prevention); purchase and sales of fresh milk; processing and sales of dairy products (operation of the above items with the valid Food Production Permit and the Food Business License); breeding technology development, research, consultation, service and transfer; forage grass planting, acquisition and sales (excluding seeds); site lease; construction of agricultural facilities (the items in the above scope of business which are subject to approval according to law shall be operated only after approved by the relevant departments)	1000.00	100%
11	Xi'an Dongfang Dairy Co., Ltd.	Xi'an City, Shaanxi Province	Production and sales of dairy products liquid milk (pasteurized milk, sterilized milk, modulated milk, fermented milk) and drinks (protein drinks); sales of pre-packaged food; acquisition of agricultural and sideline products (excluding those under the special control of the state); dispensing services of the enterprise's products and business settlement (the items in the above scope of business which are subject to approval according to law shall be operated only after approved by the relevant departments)	3530.00	100%

APPENDIX II PRELIMINARY PLAN OF THE PROPOSED ISSUANCE OF A SHARE CONVERTIBLE BONDS

During the reporting period, the consolidated entities included in the Company's consolidation scope are as follows:

No.	Company Name	2018	2017	2016
		Whether to consolidate	Whether to consolidate	Whether to consolidate
1	Qinghai Qinghai Lake Dairy Co., Ltd.	Yes	Yes	Yes
2	Qinghai Shengya Plateau Pasture Co., Ltd.	Yes	Yes	Yes
3	Qinghai Shengyuan Pasture Co., Ltd.	Yes	Yes	Yes
4	Yuzhong Ruifeng Pasture Co., Ltd.	Yes	Yes	Yes
5	Linxia County Ruiyuan Pasture Co., Ltd.	Yes	Yes	Yes
6	Linxia County Ruian Pasture Co., Ltd.	Yes	Yes	Yes
7	Wuwei Ruida Pasture Co., Ltd.	Yes	Yes	Yes
8	Ningxia Zhuangyuan Pasture Co., Ltd.	Yes	Yes	Yes
9	Lanzhou Ruixing Farming Co., Ltd.	Yes	Yes	Yes
10	Gansu Ruijia Farming Co., Ltd.	Yes	No	No
11	Xi'an Dongfang Dairy Co., Ltd.	Yes	No	No

Based on the needs of the Company's business development, the Company invested in the establishment of a wholly-owned subsidiary, Gansu Ruijia Farming Co., Ltd., with the registered capital of RMB10 million and 100% shareholding of the Company. In accordance with the Articles of Association and the Foreign Investment Management System of the Company and other relevant regulations, this foreign investment is within the scope of approval authority of the general manager's office of the Company and is not required to be submitted to the Board of Directors and the General Meeting of Shareholders of the Company for consideration. The Company has convened a general manager's office meeting in accordance with the relevant system and agreed to set up a wholly-owned subsidiary in Jinchang City, Gansu Province with its own funds to carry out dairy cow breeding and other business. The subsidiary has completed the business registration formalities and obtained the Business License issued by Jinchuan District Administration for Industry and Commerce of Jinchang City on May 9, 2018.

Based on the needs of the Company's business development, the Company held the sixth meeting of the third session of Board of Directors on July 26, 2018 to consider and adopt the Proposal on Acquisition of Shares of the Equity Participating Subsidiary, Xi'an Dongfang Dairy Co., Ltd. and published the Announcement on the Acquisition of 82% of the Shares of the Equity Participating Subsidiary, Xi'an Dongfang Dairy Co., Ltd. by Lanzhou Zhuangyuan Pasture Co., Ltd. (Announcement No.:2018-056) on the designated information disclosure media; the Proposal on Acquisition of Shares of the Equity Participating Subsidiary, Xi'an Dongfang Dairy Co., Ltd. was considered and adopted at the second EGM and the class meetings of the Company held on September 26, 2018; on November 1, 2018, Dongfang Dairy obtained the Business License issued by Xi'an Administration for Industry and Commerce, and the Company became the sole shareholder of Dongfang Dairy and owned 100% of the shares of Dongfang Dairy.

APPENDIX II PRELIMINARY PLAN OF THE PROPOSED ISSUANCE OF A SHARE CONVERTIBLE BONDS

(4) Main financial indicators for the last three years

1. Weighted average return on net assets and earnings per share during the reporting period

In accordance with the Company Information Disclosure Reporting Rules for Public issuance of Securities No. 9-Calculation and Disclosure of Return on Net Assets and Earnings Per Share (as amended in 2010) (ZJHGG [2010] No.2) issued by the CSRC, the Company's return on net assets and earnings per share for the last three years are as follows:

Profit during the reporting period	Reporting period	Weighted average return on net assets	Earnings per share (RMB/share)	
			Basic earnings per share	Diluted earnings per share
Net profit attributable to ordinary shareholders of the Company	2018	5.46%	0.34	0.34
	2017	8.08%	0.46	0.46
	2016	10.37%	0.54	0.54
Net profit attributable to ordinary shareholders of the Company after deduction of non-recurring profits and losses	2018	4.36%	0.27	0.27
	2017	5.99%	0.34	0.34
	2016	8.32%	0.44	0.44

2. Other main financial indicators

Items	31 December 2018	31 December 2017	31 December 2016
Current ratio (times)	0.71	1.44	0.79
Quick ratio (times)	0.60	1.31	0.63
Asset-liability ratio (consolidated)	42.17%	37.48%	43.33%
Asset-liability ratio (parent company)	37.99%	36.51%	42.07%
Net assets per share attributable to owners of the parent company (RMB/share)	6.32	6.02	5.41
Items	2018	2017	2016
Turnover ratio of accounts receivable (times/year)	21.61	32.69	31.28
Inventory turnover ratio (times/year)	5.57	5.96	5.46
Earnings before interest, taxes, depreciation and amortization (ten thousand yuan)	14,434.56	13,627.21	14,927.25
Interest coverage ratio (times)	3.70	4.42	5.45
Cash flows per share from operating activities (diluted) (RMB/share)	0.55	0.77	1.24
Net cash flows per share (diluted) (RMB/share)	-1.86	2.47	0.30
Proportion of intangible assets (after deduction of land use rights, aquiculture rights and mineral rights, etc.) to net assets	0.25%	0.21%	0.19%

APPENDIX II PRELIMINARY PLAN OF THE PROPOSED ISSUANCE OF A SHARE CONVERTIBLE BONDS

Note: the formula for calculating the above-mentioned indicators is as follows:

Current ratio =current assets/current liabilities;

Quick ratio = (current assets-inventories)/current liabilities;

Asset-liability ratio=total liabilities/total assets;

Net assets per share attributable to owners of the parent company=total equity attributable to owners of the parent company/total number of ordinary shares at the end of the period;

Turnover ratio of accounts receivable=operating revenue/average balance of accounts receivable;

Inventory turnover ratio=operating cost/average balance of inventories;

Earnings before interest, taxes, depreciation and amortization=net profit+income tax+interest expenses+depreciation expenses+amortization cost (intangible assets+long-term deferred expenses);

Interest coverage ratio=(total profit+interest expenses in financial expenses)/interest expenses in financial expenses;

Cash flows per share from operating activities=net cash flows from operating activities/total number of ordinary shares at the end of the period;

Net cash flows per share=net increase in cash and cash equivalents/total number of ordinary shares at the end of the period;

Proportion of intangible assets (after deduction of land use rights, aquiculture rights and mineral rights, etc.) to net assets=intangible assets (after deduction of land use rights, aquiculture rights and mineral rights, etc.)/total shareholders' equity.

APPENDIX II PRELIMINARY PLAN OF THE PROPOSED ISSUANCE OF A SHARE CONVERTIBLE BONDS

(5) Analysis of the Company's financial condition

1. Analysis of the composition of assets

At the end of each reporting period, the composition of the assets of the Company is as follows:

Unit: Ten Thousand Yuan

Items	31 December 2018		31 December 2017		31 December 2016	
	Amount	Proportion	Amount	Proportion	Amount	Proportion
Monetary capital	40,309.12	19.68%	74,764.24	41.45%	27,735.20	20.67%
Notes receivable and accounts receivable	3,667.43	1.79%	2,440.31	1.35%	1,403.62	1.05%
Prepayments	1,335.20	0.65%	613.19	0.34%	863.81	0.64%
Other receivables	1,285.95	0.63%	1,329.03	0.74%	845.91	0.63%
Inventories	8,892.05	4.34%	7,107.81	3.94%	7,505.62	5.59%
Other current assets	273.21	0.13%	308.74	0.17%	—	—
Total current assets	55,762.95	27.23%	87,209.16	48.35%	38,354.16	28.59%
Available-for-sale financial assets	—	—	3,372.07	1.87%	3,372.07	2.51%
Other equity instrument investments	4.45	0.00%	—	—	—	—
Fixed assets	93,922.08	45.86%	62,579.91	34.69%	64,988.66	48.44%
Construction in process	3,767.03	1.84%	4,047.54	2.24%	3,299.15	2.46%
Productive biological assets	27,030.40	13.20%	17,581.58	9.75%	12,628.91	9.41%
Intangible assets	7,472.04	3.65%	2,057.15	1.14%	1,898.33	1.41%
Business reputation	5,869.05	2.87%	—	—	—	—
Long-term deferred expenses	812.18	0.40%	162.96	0.09%	164.38	0.12%
Deferred income tax assets	743.73	0.36%	487.78	0.27%	410.84	0.31%
Other non-current assets	9,427.00	4.60%	2,873.63	1.59%	9,042.31	6.74%
Total non-current assets	149,047.95	72.77%	93,162.61	51.65%	95,804.63	71.41%
Total assets	204,810.90	100.00%	180,371.77	100.00%	134,158.79	100.00%

At the end of 2016, 2017 and 2018, the total assets of the Company were RMB1,341.5879 million, RMB1,803.7177 million and RMB2,048.1090 million respectively. With the constant expansion of the Company, the total assets of the Company showed an increasing trend year by year, and the total assets of the Company at the end of 2017 increased significantly compared with those at the end of 2016, which was mainly due to the completion of the initial public offering of A shares by the Company in 2017.

APPENDIX II PRELIMINARY PLAN OF THE PROPOSED ISSUANCE OF A SHARE CONVERTIBLE BONDS

During the reporting period, the assets of the Company mainly include monetary capital, accounts receivable, prepayments, inventories, fixed assets, productive biological assets and construction in process, and the structure of the assets is stable. Among them, the current assets accounted for 28.59%, 48.35% and 27.23% of the total assets respectively at the end of each reporting period, and the monetary capital was the main part of the current assets of the Company. The monetary capital accounted for 20.67%, 41.45% and 19.68% of the total assets respectively during each reporting period. The monetary capital increased significantly at the end of 2017 compared with that at the end of 2016, which was mainly because the Company successfully issued A shares and went public in 2017, and the funds raised by the end of 2017 have not yet been used. The monetary capital declined significantly at the end of 2018 compared with that of the same period last year, which was mainly because the Company paid cash consideration for the acquisition of 82% of the shares of Dongfang Dairy and used the funds raised to pay RMB53.40 million for the cow purchase. The non-current assets accounted for 71.41%, 51.65% and 72.77% of total assets respectively at the end of each reporting period. The fixed assets and productive biological assets are the main part of the non-current assets of the Company. The fixed assets accounted for 48.44%, 34.69% and 45.86% of the total assets respectively during each reporting period. The productive biological assets accounted for 9.41%, 9.75% and 13.20% of the total assets respectively during each reporting period. The fixed assets and productive biological assets increased by 50.08% and 53.74% respectively compared with those of the same period last year, which was mainly because the Company's new office building was ready for its intended use and was transferred to the fixed assets and the Company completed the acquisition of 82% of the shares of Dongfang Dairy (including Shaanxi Duoxian Farming Co., Ltd., a subsidiary of Dongfang Dairy) in 2018, making Dongfang Dairy a subsidiary within the scope of the Company's consolidated statements and causing an increase in the fixed assets and productive biological assets of the Company.

APPENDIX II PRELIMINARY PLAN OF THE PROPOSED ISSUANCE OF A SHARE CONVERTIBLE BONDS

2. Analysis of the composition of liabilities

Unit: Ten Thousand Yuan

Items	31 December 2018		31 December 2017		31 December 2016	
	Amount	Proportion	Amount	Proportion	Amount	Proportion
Short-term borrowings	43,700.00	50.60%	40,600.00	60.05%	30,000.00	51.60%
Notes payable and accounts payable	19,549.24	22.63%	12,087.77	17.88%	10,935.58	18.81%
Accounts collected in advance	—	—	2,056.59	3.04%	2,028.96	3.49%
Contractual liabilities	2,661.92	3.08%	—	—	—	—
Employee compensation payable	313.73	0.36%	618.61	0.92%	657.54	1.13%
Taxes payable	4,311.46	4.99%	1,217.10	1.80%	1,888.86	3.25%
Other payables	4,159.91	4.82%	2,125.17	3.14%	1,860.10	3.20%
Non-current liabilities due within one year	3,375.20	3.91%	2,005.45	2.97%	1,315.13	2.26%
Total current liabilities	78,071.46	90.39%	60,710.69	89.80%	48,729.37	83.82%
Long-term borrowings	3,955.93	4.58%	2,655.97	3.93%	4,450.00	7.65%
Long-term payables	236.09	0.27%	139.46	0.21%	330.32	0.57%
Accrued liabilities	1.14	0.00%	—	—	—	—
Deferred income	3,475.86	4.02%	4,099.14	6.06%	4,625.63	7.96%
Deferred income tax liabilities	629.76	0.73%	—	—	—	—
Total non-current liabilities	8,298.77	9.61%	6,894.56	10.20%	9,405.95	16.18%
Total liabilities	86,370.23	100.00%	67,605.25	100.00%	58,135.32	100.00%

At the end of 2016, 2017 and 2018, the total liabilities of the Company were RMB581.3532 million, RMB676.0525 million and RMB863.7023 million respectively. During the reporting period, the main liabilities of the Company were current liabilities, accounting for 83.82%, 89.80% and 90.39% of the total liabilities respectively. The current liabilities were mainly composed of short-term borrowings, notes payable and accounts payable.

At the end of each reporting period, the non-current liabilities of the Company were RMB94.0595 million, RMB68.9456 million and RMB82.9877 million respectively, accounting for 16.18%, 10.20% and 9.61% of the total liabilities respectively. The non-current liabilities mainly include long-term borrowings and deferred income.

APPENDIX II PRELIMINARY PLAN OF THE PROPOSED ISSUANCE OF A SHARE CONVERTIBLE BONDS

3. Solvency analysis

Items	31 December 2018	31 December 2017	31 December 2016
Current ratio (times)	0.71	1.44	0.79
Quick ratio (times)	0.60	1.31	0.63
Asset-liability ratio (consolidated)	42.17%	37.48%	43.33%
Asset-liability ratio (parent company)	37.99%	36.51%	42.07%

At the end of 2016, 2017 and 2018, the current ratio of the Company was 0.79, 1.44 and 0.71 respectively, and the quick ratio was 0.63, 1.31 and 0.60 respectively. The Company's solvency index generally remained stable. In 2017, the Company completed its initial public offering of A shares and went public, and the current ratio and quick ratio at the end of 2017 were significantly higher than those at the end of 2016. The current ratio and quick ratio declined at the end of 2018, which was mainly because the Company completed the acquisition of 82% of the shares of Dongfang Dairy in November 2018 and paid cash consideration and used the funds raised to pay RMB53.40 million for the cow purchase, resulting in a decline in the Company's monetary capital, and the current liabilities increased due to the needs of the Company's business development.

At the end of 2016, 2017 and 2018, the asset-liability ratio of the Company was 43.33%, 37.48% and 42.17% respectively. In 2017, due to the receipt of the funds raised from the initial public offering of A shares, the asset-liability ratio of the Company was 5.85% lower than that of the previous year, and the Company's solvency was enhanced. During the reporting period, the asset-liability ratio of the Company remained at a reasonable level, and the Company always attached importance to the short-term solvency risk management and paid in full the principal and interest on matured loans on time, and there were no overdue loans in the Company.

4. Operational capacity analysis

Items	31 December 2018	31 December 2017	31 December 2016
Turnover ratio of accounts receivable (times/year)	21.61	32.69	31.28
Inventory turnover ratio (times/year)	5.57	5.96	5.46

During the reporting period, the operational capacity of the Company generally remained stable. The turnover ratio of accounts receivable of the Company was 31.28, 32.69 and 21.61 respectively. In 2018, the turnover ratio of accounts receivable decreased compared with that of last year, which was mainly because the Company acquired Dongfang Dairy and the revenue from direct sales channels increased in 2018. The inventory turnover ratio of the Company was 5.46, 5.96 and 5.57 respectively, which was relatively stable.

APPENDIX II PRELIMINARY PLAN OF THE PROPOSED ISSUANCE OF A SHARE CONVERTIBLE BONDS

5. Analysis of the Company's profitability

Unit: Ten Thousand Yuan

Items	2018	2017	2016
Operating revenue	65,773.21	62,837.40	66,582.32
Less: operating cost	44,539.53	43,540.84	44,069.76
Taxes and surcharges	500.85	357.85	369.37
Sales expenses	8,398.31	7,155.62	5,309.90
Management expenses	4,871.07	5,429.31	6,291.78
Research & development expenses	437.16	91.57	—
Financial expenses	2,120.08	1,114.01	1,780.95
Asset impairment loss	43.64	-79.96	-27.07
Credit impairment loss	20.45	—	—
Add: other income	1,343.72	1,078.69	—
Income from changes in fair value	17.50	800.19	-1,504.38
Assets disposal income	263.69	-27.61	-15.86
Operating profit	6,467.02	7,079.43	7,267.39
Total profit	6,518.48	7,105.59	8,914.39
Net profit	6,353.32	6,835.19	7,591.06
Net profit attributable to shareholders of the parent company	6,353.32	6,835.19	7,591.06

During the reporting period, the operating revenue of the Company was RMB665.8232 million, RMB628.3740 million and RMB 657.7321 million respectively, showing a slight increase and generally remaining stable. During the reporting period, the Company realized the net profit of RMB75.9106 million, RMB68.3519 million and RMB63.5332 million respectively, showing a slight decline.

The net profit in 2017 was 9.96% lower than that of the same period last year, which was mainly because: firstly, the net profit decreased compared with that in 2016 due to the intensified industry competition in the sales territory of the subsidiary Qinghai Lake Dairy; secondly, the sales expenses increased compared with those of the same period last year. In 2017, the sales expenses of the Company were RMB71.5562 million, which increased by RMB18.4572 million compared with those in 2016, rising 34.76% over the same period last year.

The net profit in 2018 was 7.05% lower than that of the same period last year, which was mainly because the fiscal discount interest decreased more than those of the same period last year. In accordance with the Circular of the Ministry of Finance, the State Ethnic Affairs Commission and the People's Bank of China on the Issuance of the Interim Measures for the Administration of Ethnic Trade and Discount Interest on the Loans for Production of Ethnic Special Needed Commodities (CJ [2012] No. 139), the preferential interest rate policy may be enjoyed for the eligible loans for production of national special needed commodities.

APPENDIX II PRELIMINARY PLAN OF THE PROPOSED ISSUANCE OF A SHARE CONVERTIBLE BONDS

The Company is a designated production enterprise of national ethnic special needed commodities which was determined by the Ministry of Finance, the State Ethnic Affairs Commission and the People's Bank of China during the period of the "12th five-year plan". In accordance with the Interim Measures for the Administration of Ethnic Trade and Discount Interest on the Loans for Production of Ethnic Special Needed Commodities, upon the review by Lanzhou Municipal Ethnic and Religious Affairs Commission, the local ethnic affairs department in the place where the Company was registered, the Company may enjoy a 2.88% discount interest on its eligible loans, which is directly subsidized by the local government to the Company. In 2017, the Company received a discount interest of more than RMB15 million on its policy preferential loans. However, the Company did not receive the above policy discount interest as of 31 December 2018.

The Company completed its acquisition of Dongfang Dairy in November 2018 and became the sole shareholder of Dongfang Dairy. The Company will take advantage of Dongfang Dairy's existing product structure, brand influence, marketing channels as well as its own product characteristics and regional advantages to expand synergistic effect, improve channel construction, enhance brand awareness, expand revenue scale, enhance the overall strength of the Company and realize the strategic planning and sustainable development of the Company's products "based on the northwest and radiating throughout the country".

IV. PURPOSE OF THE FUNDS TO BE RAISED FROM THE PUBLIC ISSUANCE OF A SHARE CONVERTIBLE CORPORATE BONDS

The total amount of the funds to be raised from the public issuance of A share convertible corporate bonds will not exceed RMB400 million (inclusive), which will be used for the following projects:

Unit: Ten Thousand Yuan

No.	Name of project	Total investment amount	Financed by the Funds Raised
1	The reconstruction project of Lanzhou Zhuangyuan Pasture Co., Ltd., with daily production capacity of 600 tonnes of liquid milk	30,531.14	20,000.00
2	Recycling industrial park project of a dairy farm for 10,000 dairy cows in Jinchuan District, owned by Gansu Ruijia Farming Co., Ltd.	49,834.57	20,000.00
Total		80,365.71	40,000.00

The Board of Directors of the Company will make appropriate adjustment to the allotment of and the order of the use of the funds raised, and determine the specific investment amount for each of the projects, based on the net amount of the fund actually raised, the importance of each of the projects, provided that the investment projects shall not be changed. The shortage in the funds raised will be financed by the Company's own resources. The Company will invest in the projects with its own resources according to the actual development progress of the projects before the proceeds raised in this issuance are in place, and the proceeds raised in the issuance will be used to substitute the Company's funding in accordance with the procedures required by relevant laws after they are received into account.

V. Formulation and implementation of the Company's profit distribution policy

(1) Current dividend distribution policy of the Company

1. Dividend distribution principle

The Company implements the continuous and stable profit distribution policy. The profit distribution of the Company should pay attention to the reasonable return on investment to investors and take into account the sustainable development of the Company. If there is no major investment plan or major cash expenditure, the Company will actively distribute dividends in the form of cash, stock and otherwise under the condition of meeting the capital requirements of the normal production and operation of the Company.

2. Dividend distribution form

The Company may distribute dividends in the form of cash, stock and a combination of them and give preference to the distribution of dividends in cash. The annual profit distributed by the Company in cash is not less than 20% of the distributable profit realized in the year.

3. Period interval for profit distribution

Subject to the satisfaction of the profit distribution conditions, the Company shall make a dividend distribution every year, and the Board of Directors of the Company may propose the Company to carry out the medium-term profit distribution in the form of cash, stock or a combination of them according to the fund demand of the Company.

4. Conditions and proportion of cash dividends

When the Company realizes a profit in the year and satisfies the profit distribution conditions prescribed by the Company Law and other laws and regulations, the Company shall make profit distribution at least once in the year. In the absence of a major investment plan or major capital expenditure, the annual profit distributed by the Company in cash is not less than 20% of the distributable profit realized in the year.

When the Company formulates a specific plan for cash dividends, the Board of Directors shall carefully research into and demonstrate the timing, conditions and minimum proportion of the Company's cash dividends, the conditions for adjustment and the requirements of its decision-making procedures, and the independent directors shall express their clear opinions. The independent directors may solicit opinions from minority shareholders, present a dividend proposal and submit them directly to the Board of Directors for consideration.

APPENDIX II PRELIMINARY PLAN OF THE PROPOSED ISSUANCE OF A SHARE CONVERTIBLE BONDS

The Board of Directors shall give overall consideration to the characteristics of the industry in which the Company carries on its business, the stage of development, the Company's own business model, profit level and whether there are major capital expenditure arrangements and other factors and put forward a differentiated cash dividend policy by distinguishing the following circumstances in accordance with the procedures set out in the Articles of Association:

(1) If the development stage of the Company is a maturation stage, and there are no major capital expenditure arrangements, the minimum proportion of cash dividends in the profit distribution shall be 80% when the profit distribution is carried out;

(2) If the development stage of the Company is a maturation stage, and there are major capital expenditure arrangements, the minimum proportion of cash dividends in the profit distribution shall be 40% when the profit distribution is carried out;

(3) If the development stage of the Company is a growth stage, and there are major capital expenditure arrangements, the minimum proportion of cash dividends in the profit distribution shall be 20% when the profit distribution is carried out;

(4) If the development stage of the Company is difficult to distinguish but there are major capital expenditure arrangements, the minimum proportion of cash dividends in the profit distribution shall be 20% when the profit distribution is carried out;

5. Conditions for the payment of stock dividends

On the premise that the profit and cash flows of the Company satisfy the normal operation and long-term development of the Company, the Company shall distribute dividends in cash; if the Board of Directors considers that the future growth of the Company is better, the net assets per share is high, the stock price of the Company does not match the size of the share capital of the Company, and the payment of stock dividends is beneficial to the overall interests of all shareholders of the Company, it may formulate a stock dividend distribution plan subject to the compliance with the Company's cash dividend policy.

6. Decision-making procedures for the profit distribution plan

(1) When the Company carries out dividend distribution, the Board of Directors of the Company shall first formulate a distribution plan and submit it to the shareholders of the Company for consideration at the general meeting of shareholders.

(2) The Board of Directors shall fully listen to the opinions of external directors and independent directors in the process of drawing up relevant proposals for profit distribution. The Board of Directors of the Company shall adopt a profit distribution plan by a majority vote of all the directors and by a vote of more than 1/2 of the independent directors, and the independent directors shall express their independent opinions on the profit distribution plan. The independent directors may solicit opinions from minority shareholders, present a dividend proposal and submit them directly to the Board of Directors for consideration.

APPENDIX II PRELIMINARY PLAN OF THE PROPOSED ISSUANCE OF A SHARE CONVERTIBLE BONDS

(3) The Board of Supervisors shall consider the relevant proposals of the Board of Directors for profit distribution, which shall be adopted by a vote of more than half of all the supervisors of the Board of Supervisors.

(4) The Board of Directors and the Board of Supervisors shall submit the profit distribution plan that has been adopted to the general meeting of shareholders for consideration and approval. Before the consideration of the profit distribution plan at the general meeting of shareholders, the Company shall take the initiative to communicate and exchange with the shareholders, especially the minority shareholders, through various channels, fully listen to the opinions and demands from the minority shareholders, and answer the concerns of the minority shareholders in a timely manner.

(5) If the Company is unable to determine the current year's profit distribution plan in accordance with the established cash dividend policy or the minimum cash dividend proportion, the Board of Directors shall make a special explanation for the specific reasons, and submit it to the general meeting of shareholders for deliberation after the independent directors express their opinions, and it shall be adopted by a vote of the shareholders holding more than 2/3 of the voting rights present at the general meeting. The Company shall disclose the specific reasons and the clear opinions of the independent directors in the annual report. In the above case, the Company shall provide a voting platform in the form of a network when a general meeting of shareholders is held.

7. Implementation of the dividend distribution plan

The specific dividend distribution plan of the Company shall be presented by the Board of Directors of the Company and shall be implemented after approval at the general meeting of shareholders. After a resolution on the dividend distribution plan is adopted at the general meeting of shareholders, the Board of Directors of the Company shall complete the payment of dividends (or shares) in accordance with the Guidelines for the Articles of Association of Listed Companies and the relevant regulations of the CSRC after a general meeting of shareholders is held.

If a shareholder of the Company occupies the Company's funds in violation of the regulations, the Company shall deduct the cash dividends allocated to the shareholder so as to repay the funds occupied by it.

Any dividends and other payments to be paid by the Company to the shareholders holding domestic shares shall be denominated and declared in RMB currency, and shall be paid in RMB within two months after the date of declaration of the dividends; any dividends and other payments to be paid by the Company to the shareholders holding foreign shares shall be denominated and declared in RMB currency, and shall be paid in Hong Kong dollars within two months after the date of declaration of the dividends.

(2) Adjustment of the dividend distribution policy

1. Where the Company needs to adjust its profit distribution policy in accordance with its production and operation situation, investment planning and long-term development needs or the major changes in the external operating environment, the Company may decide to make appropriate and necessary changes to the profit distribution policy in combination with the opinions of the shareholders (especially public investors), independent directors and the Board of Supervisors, and the adjusted profit distribution policy shall not violate the relevant regulations of the CSRC.

2. The proposal on adjusting the profit distribution policy shall be formulated by the Board of Directors after special research and argumentation in accordance with the state of operation of the Company and the relevant regulations of the CSRC. In the process of formulating the profit distribution policy, the Board of Directors shall fully listen to the opinions of independent directors, external supervisors and public investors. If the Board of Directors considers and adopts a proposal on the profit distribution policy, it shall be adopted by a vote of a majority of all the directors of the Board of Directors, and the independent directors shall issue their independent opinions and disclose them in a timely manner.

3. The Board of Supervisors shall consider the relevant proposal for the profit distribution policy formulated by the Board of Directors, which shall be adopted by a vote of more than half of all the supervisors of the Board of Supervisors.

4. The profit distribution policy considered and adjusted at the general meeting of shareholders shall be provided to the online voting system for voting, and shall be adopted by a vote of the shareholders holding more than 2/3 of the voting rights present at the meeting.

(3) Profit distribution of the Company in the last three years

1. Profit distribution plans for the last three years

(1) Profit distribution plan for 2016

Based on the Company's total share capital divided into 140.50 million shares (including 105.37 million domestic shares and 35.13 million H shares) ended 31 December 2016, the distributable profit realized in 2016 were used to distribute cash dividends to all shareholders on RMB0.742 (inclusive of tax) per 10 shares basis, and the total amount of the cash dividends distributed was RMB 10.4251 million. No public accumulation fund was transferred to the share capital, and no bonus shares were distributed. The total share capital of the Company remained unchanged after the profit distribution.

APPENDIX II PRELIMINARY PLAN OF THE PROPOSED ISSUANCE OF A SHARE CONVERTIBLE BONDS

(2) Profit distribution plan for 2017

Based on the Company's total share capital divided into 187.34 million shares (including 152.21 million A shares and 35.13 million H shares) ended 31 December 2017, the distributable profit realized in 2017 were used to distribute cash dividends to all shareholders on RMB0.730 (inclusive of tax) per 10 shares basis, and the total amount of the cash dividends distributed was RMB 13.6758 million. No public accumulation fund was transferred to the share capital, and no bonus shares were distributed. The total share capital of the Company remained unchanged after the profit distribution.

(3) Profit distribution plan for 2018

Based on the Company's total share capital divided into 187.34 million shares (including 152.21 million A shares and 35.13 million H shares) ended 31 December 2018, the distributable profit realized in 2018 were used to distribute cash dividends to all shareholders on RMB0.68 (inclusive of tax) per 10 shares basis, and the total amount of the cash dividends distributed was RMB12.7391 million. No public accumulation fund was transferred to the share capital, and no bonus shares were distributed. The total share capital of the Company remained unchanged after the profit distribution.

The listed profit distribution plan shall be submitted for consideration at the general meeting of shareholders of the Company in 2018.

2. Amount and proportion of cash dividends for the last three years

Unit: Ten Thousand Yuan

Dividend Year	2018	2017	2016
Amount of cash dividends	1,273.91	1,367.58	1,042.51
Net profit attributable to shareholders of the listed company	6,353.32	6,835.19	7,591.06
Ratio of cash dividends to net profit attributable to shareholders of the listed company	20.05%	20.01%	13.73%
Amount of cash dividends in other ways	0	0	0
Total cumulative profit distributed in cash for the last three years	3,684.00		
Annual average distributable profit for the last three years	6,926.52		
Proportion of the total cumulative profit distributed in cash for the last three years to the annual average distributable profit	53.19%		

The Company shall carry out distribution of cash dividends in strict accordance with the Articles of Association and relevant laws, regulations and normative documents. The total cumulative profit distributed by the Company in cash for the last three years was not less than 30% of the annual average distributable profit realized by the Company for the last three years.

APPENDIX II PRELIMINARY PLAN OF THE PROPOSED ISSUANCE OF A SHARE CONVERTIBLE BONDS

(4) Arrangements for the use of the Company's undistributed profit for the last three years

The undistributed profit retained by the Company is mainly used to supplement the working capital of the Company and to actively expand new projects, promote the sustainable development of the Company and finally realize the maximization of the shareholders' interests with the expansion of the existing business scale.

Lanzhou Zhuangyuan Pasture Co., Ltd.
Board of Directors
31 January 2019

Verification Report on Annual Storage and Actual Use of Proceeds
Raised by Lanzhou Zhuangyuan Pasture Co., Ltd.
Rui Hua He Zi [2019] No. 62010003

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Verification Report on Annual Storage and Actual Use of Proceeds Raised by Lanzhou Zhuangyuan Pasture Co., Ltd.

Rui Hua He Zi [2019] No. 62010003

To shareholders of Lanzhou Zhuangyuan Pasture Co., Ltd.:

We accepted the entrustment and carried out the verification on the attached Special Report on Annual Storage and Actual Use of Proceeds by the Board of Directors of Lanzhou Zhuangyuan Pasture Co., Ltd. (hereinafter referred to as “Lanzhou Zhuangyuan”) as of 31 December 2018.

In accordance with the Regulation Guidelines for the Supervision and Control of Listed Companies No. 2 — Regulation Requirements for the Management and Use of Proceeds of Listed Companies (CSRC Announcement [2012] No. 44) issued by the China Securities Regulatory Commission, and the Standardization Operation Guidelines for Listed Companies in SME Board of Shenzhen Stock Exchange, the Information Disclosure Announcement Format for Listed Companies in Shenzhen Stock Exchange No. 21: Special Report Format for Annual Storage and Use of Proceeds of Listed Companies promulgated by the Shenzhen Stock Exchange and relevant requirements, it is the responsibility of the Board of Directors of Lanzhou Zhuangyuan to prepare the Special Report on Annual Storage and Actual Use of Proceeds by the Board of Directors, provide true, legal and complete physical evidence, original written files, copy documents, oral testimony and other evidence we deem necessary. Our responsibility is to issue a verification opinion on the Special Report on Annual Storage and Actual Use of Proceeds by the Board of Directors on the basis of the execution of verification.

We carried out verification in accordance with the provisions of the Other Verification Business Standards for China Certified Public Accountant No. 3101 — Verification Business Beyond Auditing or Reviewing Historical Financial Information, which required us to abide by the China Certified Public Accountant Ethics Code, plan and perform verification so as to obtain a reasonable assurance that whether there is no material misstatement in the Special Report on Annual Storage and Actual Use of Proceeds by the Board of Directors. During the verification, we implemented procedures that we considered necessary, including but not limited to checking the accounting records and recalculating the amounts of relevant projects. We believe that our verification provides a reasonable foundation to give opinions.

We believe that the compilation of Special Report on Annual Storage and Actual Use of Proceeds by the Board of Directors of Lanzhou Zhuangyuan as of 31 December 2018 is in all material respects in accordance with the Regulation Guidelines for the Supervision and Control of Listed Companies No. 2 — Regulation Requirements for the Management and Use of Proceeds of Listed Companies

APPENDIX III REPORT ON THE USE OF THE PREVIOUSLY RAISED PROCEEDS

(CSRC Announcement [2012] No. 44) issued by the China Securities Regulatory Commission, and the Standardization Operation Guidelines for Listed Companies in SME Board of Shenzhen Stock Exchange, the Information Disclosure Announcement Format for Listed Companies in Shenzhen Stock Exchange No. 21: Special Report Format for Annual Storage and Use of Proceeds of Listed Companies promulgated by the Shenzhen Stock Exchange and relevant requirements.

The Verification Report is for the disclosure of 2018 annual report of Lanzhou Zhuangyuan only, and may not be used for any other purpose.

Ruihua Certified Public Accountants
(Special General Partnership)

Chinese Certified Public Accountants

Beijing, PRC

Chinese Certified Public Accountants

30 January 2019

**Special Report on 2018 Annual Storage and
Actual Use of Proceeds by the Board of Directors
of Lanzhou Zhuangyuan Pasture Co., Ltd. (the “Report”)**

All Directors of the Company promise that the contents of the Report are true, accurate and complete, and there are no false records, misleading statements or major omissions.

According to the Regulation Guidelines for the Supervision and Control of Listed Companies No. 2 — Regulation Requirements for the Management and Use of Proceeds of Listed Companies (CSRC Announcement [2012] No. 44) issued by the China Securities Regulatory Commission, and the Standardization Operation Guidelines for Listed Companies in SME Board of Shenzhen Stock Exchange, the Information Disclosure Announcement Format for Listed Companies in Shenzhen Stock Exchange No. 21: Special Report Format for Annual Storage and Use of Proceeds of Listed Companies promulgated by the Shenzhen Stock Exchange and relevant requirements, the Board of Directors of Lanzhou Zhuangyuan Pasture Co., Ltd. (hereinafter referred to as “Company” or “the Company” has prepared the Special Report on Annual Storage and Actual Use of Proceeds as of 31 December 2018.

I. BACKGROUND OF PROCEEDS

(1) Background of proceeds from H Shares

Pursuant to the Reply on the Approval of Issuance of Overseas-listed Foreign Shares by Lanzhou Zhuangyuan Pasture Co., Ltd. (Zheng Jian Xu Ke [2015] No. 1142) issued by the CSRC, Lanzhou Zhuangyuan Pasture Co., Ltd. (hereinafter referred to as “the Company”) was permitted to be defined issue and issued 35,130,000 overseas listed foreign shares (“H Shares”) at HKD5.30 per share via IPO on 15 October 2015. The subscription amount was fully paid in Hong Kong dollars in cash, totaling HKD186,189,000. After deducting underwriting and sponsorship fees, various intermediaries’ fees and other issuance expenses from total subscription amount, the actual net proceeds raised were HKD141,832,158, which was calculated at the middle exchange rate of HKD to RMB on the receipt date of the Company, which was equivalent to RMB116,031,470 (“proceeds”).

The above funds were remitted to the account (account number: 01255068197773) opened by the Company at Bank of China (Hong Kong) Limited, Hong Kong Branch on 15 October 2015, 19 October 2015 and 3 November 2015 respectively. These funds have been verified by KPMG Huazhen Certified Public Accountants (Special General Partnership), who issued the Capital Verification Report (Bi Ma Wei Hua Zheng Yan Zi No. 1600935).

In 2018, RMB3,991,898 was used from proceeds, and in the previous years, RMB103,695,643 was used. As of 31 December 2018, the Company has used proceeds from the previous H Shares

RMB107,687,541, with accumulated net interest income after handling fee of RMB153,378.00, and the proceeds account balance was RMB8,497,307, unused proceeds balance was RMB8,497,307.

(2) Background of proceeds from A Shares

Pursuant to the Reply on the Approval of the Initial Public Offering of Lanzhou Zhuangyuan Pasture Co., Ltd. (Zheng Jian Xu Ke [2017] No. 1779) issued by the CSRC, Lanzhou Zhuangyuan Pasture Co., Ltd. (hereinafter referred to as “the Company”) was permitted to issue and issued 46.84 million RMB-denominated ordinary shares (“A Shares”) to the public, with a par value of RMB1.00 per share, the issue price per share was RMB7.46, total proceeds was RMB349,426,400, and after deducting underwriting and sponsorship fees, registration fee and other transaction costs totaled RMB39,922,700, the net proceeds was RMB309,503,700.

KPMG Huazhen Certified Public Accountants (Special General Partnership) has verified the availability of proceeds from the Company’s IPO of A Shares on 24 October 2017, and issued the Verification Report (Bi Ma Wei Hua Zheng Yan Zi No. 1700634) to verify and confirm it.

In 2018, the proceeds RMB203,400,000 was used, proceeds temporarily replenish liquidity of RMB100,000,000, and interest income of the proceeds account after deducting the handling fee this year was RMB806,947. As of 31 December 2018, the Company has accumulatively used proceeds raised from A Shares RMB203,400,000, accumulated net interest income of proceeds after deducting the handling fee of RMB916,202.00, the balance of proceeds account was RMB7,019,902, and the balance of unused proceeds was RMB107,019,902.

II. STORAGE AND MANAGEMENT OF PROCEEDS

In order to regulate the management and use of proceeds, and protect the interests of investors, according to relevant provisions of the Administrative Measures for Sponsorship Business of Issuance and Listing of Securities, the Regulation Guidelines for the Supervision and Control of Listed Companies No. 2 — Regulation Requirements for the Management and Use of Proceeds of Listed Companies, the Stock Listing Rules of Shenzhen Stock Exchange (2014 Revision), the Standardization Operation Guidelines for Listed Companies in SME Board of Shenzhen Stock Exchange (2015 Revision) and relevant laws and regulations, in combination with the Articles of Association and the actual situation of the Company, the Company has formulated the Administrative Measures on Special Storage and Use of Proceeds from IPO of A Shares (hereinafter referred to as the “Administrative Measures”). According to the Administrative Measures, the Company implemented designated account storage for proceeds, set up designated proceeds accounts in banks, and together with the sponsor institution Hualong Securities, signed the Tripartite Regulatory Agreement of Proceeds respectively with Lanzhou Bank, Xingyu Sub-branch, Zheshang Bank, Lanzhou Eastern Sub-branch, Bank of China, Lanzhou Jinchang Road Sub-branch, and Shanghai Pudong Development Bank, Lanzhou High-tech Sub-branch. The main contents of these agreements were not significantly different from the Tripartite Regulatory Agreement of Proceeds (Model) of the Shenzhen Stock Exchange. The Company and all parties to the agreements have fulfilled their rights and obligations in accordance with relevant terms of the agreements.

APPENDIX III REPORT ON THE USE OF THE PREVIOUSLY RAISED PROCEEDS

(1) Storage and management of proceeds raised from H Shares

Proceeds raised from H Shares were remitted to the account (account number: 01255068197773) opened by the Company at Bank of China (Hong Kong) Limited, Hong Kong Branch on 15 October 2015, 19 October 2015 and 3 November 2015 respectively. As of 31 December 2018, the idle proceeds were all deposited in the designated proceeds account (account number: 101472000454788) opened by the Company in Lanzhou Bank Co., Ltd., Xinglon Branch, and will continue to be used in the investment projects of proceeds. The balance of proceeds account is RMB8,497,307.

In 2018, proceeds from the Company's H Shares were as follows:

Unit: RMB

Items	Amount
Balance of designated proceeds account as of 31 December 2017	12,453,881
Plus: interest income of proceeds after deducting handling fee, net	35,324
Less: use of proceeds	3,991,898
Less: proceeds temporarily replenish liquidity	
Plus: return of proceeds temporarily replenish liquidity	
Balance of designated proceeds account as of 31 December 2018	8,497,307
Proceeds balance available as of 31 December 2018	8,497,307

(2) Storage and management of proceeds raised from A Shares

After the proceeds were in place, the Company opened four proceeds accounts, of which Account 1, Account 2, and Account 3 (the account numbers in the Report are shown in the table below) were used for the storage and use of proceeds of the "10,000 imported fine cows farming construction" project, and Account 4 was used for that of the "self-service milk machine and supporting facilities construction" project. In July 2018, the Company changed the use of all funds of the self-service milk machine and supporting facilities construction project RMB49,408,785.05 (including interest income) to acquire 82% equity of Dongfang Dairy.

As of 31 December 2018, balance of the Company's proceeds account was RMB7,019,902. The balance details of the Company's proceeds account are as follows:

Unit: RMB

No.	Deposit bank of proceeds	Proceeds account number	Balance as of 31 December 2018 (RMB)
Account 1	Lanzhou Bank, Xinglon Sub-branch	101472000568575	2,473
Account 2	Zheshang Bank, Lanzhou Eastern Sub-branch	8210000110120100058409	16,096
Account 3	Bank of China, Lanzhou Jinchang Road Sub-branch	104059529335	14,010

APPENDIX III REPORT ON THE USE OF THE PREVIOUSLY RAISED PROCEEDS

No.	Deposit bank of proceeds	Proceeds account number	Balance as of 31 December 2018 (RMB)
Account 4	Shanghai Pudong Development Bank, Lanzhou High-tech Sub-branch	48170078801800000030	6,987,323
Total			7,019,902

In 2018, the use of proceeds of the Company's A Shares was as follows:

Unit: RMB

Items	Amount
Balance of designated proceeds account as of 31 December 2017	309,612,955
Plus: interest income of proceeds after deducting handling fee, net	806,947
Less: use of proceeds	203,400,000
Less: proceeds temporarily replenish liquidity	100,000,000
Plus: return of proceeds temporarily replenish liquidity	
Balance of designated proceeds account as of 31 December 2018:	7,019,902
Proceeds balance available as of 31 December 2018	107,019,902

III. ACTUAL USE OF PROCEEDS OF THIS YEAR

(1) Use of proceeds raised from H Shares

As of 31 December 2018, the actual use of proceeds raised from H Shares was shown in Schedule 1.

Schedule 1:

Comparison table of use of proceeds raised from H Shares in 2018

Unit: RMB

Total proceeds	116,031,470					Total invested proceeds this year			3,991,898		
Total proceeds with change in use during the reporting period	—					Accumulated total invested proceeds			107,687,541		
Accumulated total proceeds with change in use	46,412,588										
Proportion of accumulated total proceeds with change in use	40%										
Committed investment projects and investment directions of over-raised funds	Whether the project has been changed (including partial changes)	Committed total investment of proceeds	Total investment after adjustment: (1)	Investment this year	Accumulated investment as of period-end (2)	Investment progress as of period-end (%) (3)=(2)/(1)	Date when the project reaches the scheduled usable status	Benefits achieved this year	Whether the expected benefits are achieved	Whether the project feasibility has changed significantly	
Committed investment projects											
1. Build 3,000 community fresh milk kiosks	Yes	37,130,070	—	—	—	—	N.A.	N.A.	N.A.	N.A.	
2. Part of the funding source for importing approximately 5,000 dairy cows from Australia or New Zealand	Yes	34,809,441	81,222,029	—	81,222,029	100 percent	Note 1 and Note 2				
3. Promote the brand	No	23,206,294	23,206,294	3,991,898	14,862,365	64%	N.A.	N.A.	N.A.	No	
4. Build a new technology center	Yes	9,282,518	—	—	—	—	N.A.	N.A.	N.A.	N.A.	

APPENDIX III REPORT ON THE USE OF THE PREVIOUSLY RAISED PROCEEDS

5. Working capital and others	No	11,603,147	11,603,147	—	11,603,147	100 percent	N.A.	N.A.	N.A.
Subtotal of committed investment projects		116,031,470	116,031,470	3,991,898	107,687,541				
Investment directions of over-raised funds									
No									
Repayment of bank loans (if any)	—						—	—	—
Proceeds supplement the liquidity (if any)	—						—	—	—
Subtotal of investment directions of over-raised funds									
Total		116,031,470	116,031,470	3,991,898	107,687,541				
Not meet the schedule or expected benefits and reasons (by projects)	Note 1 and Note 2								
Description of significant changes of feasibility of projects	N.A.								
Amount, use and progress of raised funds	N.A.								
Changes in implementation location of investment projects of proceeds	N.A.								

Changes in implementation of investment projects of proceeds	N.A.
Pre-investment and replacement of investment projects of proceeds	N.A.
Temporarily replenish liquidity by idle proceeds	N.A.
Amount and reasons for proceeds balance of project implementation	N.A.
Use and whereabouts of unused proceeds	The unused proceeds are deposited in the designated proceeds account opened by the Company, and will continue to be used in the investment projects of proceeds. See II, (I) for details.
Problems or other circumstances in use and disclosure of proceeds	N.A.

Note 1: The actual investment amount is based on the assumption that proceeds is transferred to the relevant bank accounts, so together with the expenditures related to the committed investment projects, both of them are collected first using the proceeds until the relevant proceeds are used up.

Note 2: The Company's prospectus of H Shares IPO did not commit to the expected benefits of investment projects of proceeds, and therefore it did not disclose the benefits of investment projects of proceeds.

(II) Use of proceeds raised from A Shares

As of 31 December 2018, the actual use of proceeds raised from A Shares was shown in Schedule 2.

Schedule 2:

Actual use of proceeds raised from A Shares in 2018

Unit: RMB										
Total proceeds	309,503,700					Total invested proceeds this year			203,400,000	
Total proceeds with change in use during the reporting period	150,000,000					Accumulated total invested proceeds			203,400,000	
Accumulated total proceeds with change in use	150,000,000									
Proportion of accumulated total proceeds with change in use	48.46%									
Committed investment projects and investment directions of over-raised funds	Whether the project has been changed (including partial changes)	Committed total investment of proceeds	Total investment after adjustment: (1)	Investment this year	Accumulated investment as of period-end (2)	Investment progress as of period-end (%) (3)=(2)/(1)	Date when the project reaches the scheduled usable status	Benefits achieved this year	Whether the expected benefits are achieved	Whether the project feasibility has changed significantly
Committed investment projects										
1. 10,000 imported fine cows farming construction project	Yes	260,193,300	159,503,700	53,400,000	53,400,000	33%	N.A.	N.A.	N.A.	No
2. Self-service milk machine and supporting facilities construction project	Yes	49,310,400					N.A.	N.A.	N.A.	Yes
3. Acquisition of 82% equity of Dongfang Dairy	Yes		150,000,000	150,000,000	150,000,000	100 percent	N.A.	N.A.	N.A.	No
Subtotal of committed investment projects		309,503,700	309,503,700	203,400,000	203,400,000					
Investment directions of over-raised funds										
No										

Repayment of bank loans (if any)	—							—	—	—	—	—
Replenish liquidity (if any)	—							—	—	—	—	—
Subtotal of investment directions of over-raised funds												
Total								309,503,700	309,503,700	203,400,000	203,400,000	
Not meet the schedule or expected benefits and reasons (by projects)	As of 31 December 2018, the “10,000 imported fine cows farming construction project” has already paid a purchase amount of RMB53.4 million. The cows have not yet arrived at the Company’s subordinate farms, and the use of all funds for the “self-service milk machine and supporting facilities construction project” was changed in July 2018 to acquire 82% equity of Dongfang Dairy.											
Description of significant changes of feasibility of projects	In July 2018, the Company changed the use of all funds RMB49,408,785.05 (including interest income) of the self-service milk machine and supporting facilities construction project to acquire 82% equity of Dongfang Dairy for the following reasons:											
	From the distribution area, coverage areas of the Company’s self-service milk machine include Lanzhou City in Gansu Province and Xining City in Qinghai Province. The locations covered include schools, banks, hospitals, airports, high-speed rail stations, bus stations, gas stations, residential communities and commercial office buildings, etc., all which have a large population, a high liquidity, and a relatively high level of consumption. Since the self-service machines in Lanzhou and Xining markets are currently saturated, and some self-service machines invested previously by the Company have not been put into use, therefore, if we continue to promote and implement the project with proceeds in the future, self-service milk machines will be placed more in prefecture-level cities and districts, second-tier county markets and third-line township markets outside Lanzhou and Xining. Those regions are relatively sparsely populated and their economic level is relatively low. Also it will compete with the Company’s original distribution channels in areas where consumption is relatively limited. At the same time, some county towns and township markets are relatively remote, far from the Lanzhou and Xining production bases, and the cold chain products sold by self-service milk machines require regular and frequent replenishment and maintenance, which raises higher requirements on operating costs of the project. In addition, the daily purchases in the relatively remote and backward county and township areas are still mainly based on cash payment, which is not conducive to the smooth progress and implementation of the project.											
Amount, use and progress of raised funds	Based on the above considerations, the Company has re-examined and evaluated the self-service milk machine and supporting facilities construction project, and considered that there is a certain uncertainty in the expected income of the project, which is not conducive to the use efficiency of proceeds, so terminate the self-service milk machine and supporting facilities construction project, and the project’s proceeds RMB49,408,785.05 (including interest income) are all used to acquire 82% equity of Dongfang Dairy.											
Changes in implementation location of investment projects of proceeds	N.A.											

Changes in implementation of investment projects of proceeds	N.A.	
Pre-investment and replacement of investment projects of proceeds	N.A.	
Temporarily replenish liquidity by idle proceeds	<p>On 26 July 2018, the Company held the 6th meeting of the 3rd Board of Directors and the 4th meeting of the 3rd Board of Supervisors, which considered and approved the Proposal on Using Partial Idle Proceeds to Temporarily Replenish Liquidity. The Independent Directors gave the consent with independent opinion, they agreed to use RMB100 million of idle proceeds to temporarily replenish liquidity. The use period shall not exceed 12 months from the date of approval by the Board of Directors. Before the due date, the Company will return such part of funds to the designated proceeds account in a timely manner and full amount.</p> <p>As of 31 December 2018, the Company used idle proceeds to temporarily replenish liquidity amounting to RMB100 million.</p>	
Amount and reasons for proceeds balance of project implementation	N.A.	
Use and whereabouts of unused proceeds	<p>As of 31 December 2018, the unused proceeds from the Company' A Share IPO was RMB107,019,902 (including interest income), and all the proceeds were deposited in the designated proceeds account opened by the Company, and will continue to invest in the "10,000 imported fine cows farming construction project". Under the premise of ensuring that the implementation of investment projects of proceeds is not affected, in order to improve the efficiency of the use of proceeds and reduce the financial expenses of the Company, after the consideration and approval of the 6th meeting of the 3rd Board of Directors and the 4th meeting of the 3rd Board of Supervisors held on 26 July 2018, the Company used idle proceeds to temporarily replenish liquidity amounting to RMB100 million, and the use period shall not exceed 12 months from the date of approval by the Board of Directors. As of 31 December 2018, the Company used idle proceeds to temporarily replenish liquidity amounting to RMB100 million.</p>	
Problems or other circumstances in use and disclosure of proceeds	N.A.	

(3) Use proceeds to replace the pre-invested proceeds in the investment projects

As of 31 December 2018, the Company did not use any proceeds to replace pre-invested proceeds in investment projects.

(4) Use idle proceeds to temporarily replenish liquidity

According to the fund use plan of the investment projects of proceeds from A Shares, and under the premise of ensuring that the implementation progress of investment projects of proceeds is not affected, in order to satisfy the Company's increasing working capital requirements, improve the use efficiency of proceeds and reduce financial expenses, the Company used RMB100 million of idle proceeds to temporarily replenish liquidity.

On 26 July 2018, the Company held the 6th meeting of the 3rd Board of Directors and the 4th meeting of the 3rd Board of Supervisors, which considered and approved the Proposal on Using Partial Idle Proceeds to Temporarily Replenish Liquidity. The Independent Directors gave independent opinion on the proposal, and agreed to use RMB100 million of idle proceeds to temporarily replenish liquidity. The use period shall not exceed 12 months from the date of approval by the Board of Directors.

(5) Use idle proceeds to purchase wealth management products

As of 31 December 2018, the Company did not use any idle proceeds to purchase wealth management products.

(6) Use of proceeds balance

As of 31 December 2018, the projects of proceeds raised from IPO of A Shares haven't yet been completed.

(7) Use and whereabouts of unused proceeds

As of 31 December 2018, the unused proceeds were deposited as required in the designated proceeds account, and will continue to invest in the "10,000 imported fine cows farming construction project". Under the premise of ensuring that the implementation progress of investment projects of proceeds is not affected, in order to satisfy the Company's increasing working capital requirements, improve the use efficiency of proceeds and reduce financial expenses, after the consideration and approval of the 6th meeting of the 3rd Board of Directors and the 4th meeting of the 3rd Board of Supervisors held on 26 July 2018, the Company used idle proceeds RMB100 million to temporarily replenish liquidity, and the use period shall not exceed 12 months from 26 July 2018. As of 31 December 2018, the Company used idle proceeds to temporarily replenish liquidity amounting to RMB100 million.

IV. CHANGE THE USE OF FUNDS OF INVESTMENT PROJECTS OF PROCEEDS**(1) Change the use of funds of investment projects of proceeds raised from H Shares**

In 2018, the Company didn't change any investment projects of proceeds raised from H Shares.

(2) Change the use of funds of investment projects of proceeds raised from A Shares

For changing the use of funds of investment projects of proceeds raised from A Shares in this year, please refer to the “Changes in investment projects of proceeds raised from A Shares” (Schedule 3).

1. Reason for changes

(1) Reasons for changing the self-service milk machine and supporting facilities construction project

From the distribution area, coverage areas of the Company’s self-service milk machine include Lanzhou City in Gansu Province and Xining City in Qinghai Province. The locations covered include schools, banks, hospitals, airports, high-speed rail stations, bus stations, gas stations, residential communities and commercial office buildings, etc., all which have a large population, a high liquidity, and a relatively high level of consumption. Since the self-service machines in Lanzhou and Xining markets are currently saturated, and some self-service machines invested previously by the Company have not been put into use, therefore, if we continue to promote and implement the project with proceeds in the future, self-service milk machines will be placed more in prefecture-level cities and districts, second-tier county markets and third-line township markets outside Lanzhou and Xining. Those regions are relatively sparsely populated and their economic level is relatively low. Also it will compete with the Company’s original distribution channels in areas where consumption is relatively limited. At the same time, some county towns and township markets are relatively remote, far from the Lanzhou and Xining production bases, and the cold chain products sold by self-service milk machines require regular and frequent replenishment and maintenance, which raises higher requirements on operating costs of the project. In addition, the daily purchases in the relatively remote and backward county and township areas are still mainly based on cash payment, which is not conducive to the smooth progress and implementation of the project.

Based on the above considerations, the Company has re-examined and evaluated the self-service milk machine and supporting facilities construction project, and considered that there is a certain uncertainty in the expected income of the project, which is not conducive to the use efficiency of proceeds, so terminate the self-service milk machine and supporting facilities construction project, and the project’s proceeds RMB49,408,785.05 (including interest income) are all used to acquire 82% equity of Dongfang Dairy.

(2) Reasons for changing the 10,000 imported fine cows farming construction project

According to the feasibility study report of the project, the Company will implement it in three years according to the stage development plan of the pasture, which will be 2018, 2019 and 2020 respectively. Therefore, part of the project’s proceeds will be idle in the next two years, greatly reducing the efficiency of the use of proceeds. Thus, in order to improve the efficiency of the use of proceeds, the Company changed some of the project’s proceeds to acquire 82% equity of Dongfang Dairy.

Among the Company’s subordinate farms, Yuzhong Ruifeng, Linxia Ruian and Ningxia Zhuangyuan adopt a joint business model. In view of the good effect of joint farming and the positive significance on local poverty alleviation, some of the Company’s pastures will retain the joint farming model in the future. Therefore, partial proceeds of the project are changed to acquire 82% equity of Dongfang Dairy.

In view of the frequent fluctuations in market price of raw milk in recent years and the expectation of further increase in the Company’s raw milk supply ratio, in order to prevent the risk

of raw milk price fluctuations and the risk of cost fluctuations caused by it, the Company changed some of the project's proceeds to acquire 82% equity of Dongfang Dairy.

2. *Description of decision-making procedures and information disclosure*

On 26 July 2018 and 26 September 2018, the Company held the 6th meeting of the 3rd Board of Directors and the 2nd Extraordinary General Meeting (EGM) of 2018, which considered and approved the Proposal on Acquisition of Equity of the Subsidiary Xi'an Dongfang Dairy Co., Ltd., and the Proposal on Changing the Use of Proceeds to Acquire Equity of Xi'an Dongfang Dairy Co., Ltd., thus RMB100,591,214.95 of the "10,000 imported fine cows farming construction project" and all the funds RMB49,408,785.05 (including interest) of the "self-service milk machine and supporting facilities construction project", the two investment projects of proceeds raised from IPO of A Shares, totaled RMB150,000,000 was changed to acquire 82% equity of Xi'an Dongfang Dairy Co., Ltd. ("Dongfang Dairy").

The Independent Directors of the Company considered the Proposal on Acquisition of Equity of the Subsidiary Xi'an Dongfang Dairy Co., Ltd. and gave an independent opinion that the Company changed partial proceeds to acquire equity, which was an adjustment based on the actual situation of the Company, and it was in line with the actual operation requirement of the Company and conducive to improve the use efficiency of proceeds; the Company has carried out a serious analysis and argumentation on this acquisition, and considered it was in line with the national industrial policies and relevant laws, regulations and rules; this change in the use of proceeds fulfilled the necessary legal procedures, and it complied with relevant provisions of the Stock Listing Rules of Shenzhen Stock Exchange, and the Standardization Operation Guidelines for Listed Companies in SME Board of Shenzhen Stock Exchange. Therefore, we unanimously agreed to the proposal to change partial proceeds to acquire equity of Xi'an Dongfang Dairy Co., Ltd., and submitted it to the general meeting of shareholders of the Company for consideration.

On 6 November 2018, Zhuangyuan Pasture disclosed the "Announcement on Completing the Registration of Industry and Commerce Change for Acquisition of 82% Equity of the Subsidiary Xi'an Dongfang Dairy Co., Ltd. (Announcement No.: 2018-079): Dongfang Dairy has completed the registration procedures for industrial and commercial changes, and it obtained the Business License issued by Xi'an Administration for Industry and Commerce, then the Company became the sole shareholder and owns 100% equity of Dongfang Dairy.

The use of proceeds with above-mentioned changes of the Company has fulfilled the necessary decision-making procedures, and was consistent with the announcements and disclosures related to the changes of proceeds.

Schedule 3:

Changes in investment projects of proceeds raised from A Shares
2018

Unit: RMB

Projects changed	Corresponding original committed projects	Total proceeds to be invested in projects changed (1)	Actual investment amount this year	Actual accumulated investment amount as of period end (2)	Investment progress as of period end (%) (3) = (2) / (1)	Date when the project reaches the scheduled usable status	Benefits achieved this year	Whether the expected benefits are achieved	Whether significant changes happened in feasibility of projects changed
10,000 imported fine cows farming construction project	10,000 imported fine cows farming construction project	159,503,700	53,400,000	53,400,000	33%	N.A.	N.A.	N.A.	No
Acquisition of 82% equity of Dongfang Dairy	Self-service milk machine and supporting facilities construction project, 10,000 imported fine cows farming construction project	49,310,400	49,310,400	49,310,400	100 percent	N.A.	N.A.	N.A.	No
Acquisition of 82% equity of Dongfang Dairy	10,000 imported fine cows farming construction project	100,689,600	100,689,600	100,689,600	100 percent	N.A.	N.A.	N.A.	No
Total		309,503,700	203,400,000	203,400,000					
Description of changes, decision-making procedures and information disclosure:									
Not meet the schedule or expected benefits and reasons (by projects)		As of 31 December 2018, the “10,000 imported fine cows farming construction project” has already paid a purchase amount of RMB53.4 million. The cows have not yet arrived at the Company’s subordinate farms, and the use of all funds for the “self-service milk machine and supporting facilities construction project” was changed in July 2018 to acquire 82% equity of Dongfang Dairy.							
Description of significant changes of feasibility of projects changed		N.A.							

V. PROBLEMS IN USE AND DISCLOSURE OF PROCEEDS**(1) Problems in use and disclosure of proceeds raised from H Shares**

The Company has already compared the actual use of the above proceeds item by item with relevant contents disclosed in the “Report of the Board of Directors” of the Company’s 2015 Annual Report, the “Report of the Board of Directors” of the 2016 Annual Report, 2017 Interim Report, the “Report of the Board of Directors” of the 2017 Annual Report, 2018 Interim Report and other relevant information disclosure documents, and it confirmed the actual use was consistent with relevant contents disclosed.

(2) Problems in use and disclosure of proceeds raised from A Shares

In the current year, the Company has strictly followed relevant provisions of the “Regulation Guidelines for the Supervision and Control of Listed Companies No. 2 — Regulation Requirements for the Management and Use of Proceeds of Listed Companies”, the “Standardization Operation Guidelines for Listed Companies in SME Board of Shenzhen Stock Exchange (2015 Revision)”, and the “Administrative Measures on Special Storage and Use of Proceeds from IPO of A Shares”, and the Company carried on storage, use and management of proceeds, also the information disclosure was timely, true, accurate and complete, and no violations have occurred.

Board of Directors
Lanzhou Zhuangyuan Pasture Co., Ltd.
30 January 2019

No.: 105411938



Business License

(Copy) (5-1)

Unified social credit code: 9111010856949923XD

Name	Ruihua Certified Public Accountants (Special General Partnership)
Type	Special General Partnership
Principal place of business	4/F, Building 2, No. 16, Xisihuanzhong Road, Haidian District West, Beijing
Executive partner	Other shareholders (Yang Ronghua, Liu Guibin and Feng Zhong are appointed as representatives)
Established on	22 February 2011
Partnership term	From 22 February 2011 to 21 February 2061
Business scope	audit the financial statements of enterprises, issue audit reports; verify corporate capital, issue capital verification reports; handle audit matters in merger, division, and liquidation; issue relevant reports; basic construction annual financial statements audit; agency accounting; accounting consulting, tax consulting, management consulting, accounting training; other businesses as stipulated by laws and regulations. (Enterprises shall independently select operating projects and carry out business activities in accordance with the laws; projects that are subject to approval according to the laws are not allowed to conduct before being approved by relevant authority; and shall not engage in the business activities prohibited and restricted by the city's industrial policy.)



Scan the QR code online for details

Registered with:

Note: The Company shall submit the previous year's annual announcement through the Enterprise Credit Information Publicity System from 1 January to 30 June each year for publication.

13 December 2018

Website of the Enterprise Credit Information Publicity System: qxy.baic.gov.cn

Produced by the State Administration for Industry and Commerce of the People's Republic of China

Certificate Serial number: 000417



Accounting firm
Securities and Futures Related Business License

Reviewed and approved by the Ministry of Finance and the China
Securities Regulatory Commission

**Ruihua Certified Public
Accountants
(Special General Partnership)**

Conduct securities and futures
related business

Chief partner: Liu Guibin

Certificate No.: 17

Issued on: 5 July 2018

The certificate is valid until 5 July 2020

Certificate serial number: 0000416

Statements

1.

The Certificate of Practice of Accounting Firm is a certificate proving that the holder has been approved by the finance department in accordance with the laws and is permitted to perform the statutory business of the certified public accountant.
2.

If there is change in the items recorded in the Certificate of Practice of Accounting Firm, they shall apply to the finance department for renewal.
3.

The Certificate of Practice of Accounting Firm shall not be forged, altered, leased, lent or transferred.
4.

If the accounting firm terminates practice license or the practice license is cancelled, it shall return the Certificate of Practice of Accounting Firm to the finance department.

Issued by: Beijing Municipal Finance Bureau

13 June 2018

Produced by the Ministry of Finance of the People's Republic of China



Accounting firm
Practicing certificate

Name

Ruihua Certified Public Accountants
(Special General Partnership)

Chief partner:

Liu Guibin

Chief accountant:

Place of business:

4/F, Building 2, No. 16, Xisihuanzhong
Road, Haidian District West, Beijing

Form of organization:

Special General Partnership

Practice certificate number:

11010130

Approved practice number:

Jing Cai Kuai Xu Ke [2011]0022

Approved date of practice:

14 February 2011



Full name	Li Zongyi
Sex	Male
Date of birth	16 March 1970
Working unit	Gansu Branch of Ruihua Certified Public Accountants
Identity card No.	620103700316301



The annual renewal for the previous year has been completed and a new certificate is issued to replace the old one.

Annual Renewal Registration

This certificate is valid for another year after this renewal.

No. of Certificate: 620100010015

Authorized Institute of CPAs: Gansu Institute of Certified Public Accountants

Date of Issuance: 23 November 2016





Full name	Zhang Youquan
Sex	Male
Date of birth	18 April 1971
Working unit	Gansu Branch of Ruihua Certified Public Accountants
Identity card No.	622223710418081



The annual renewal for the previous year has been completed and a new certificate is issued to replace the old one.

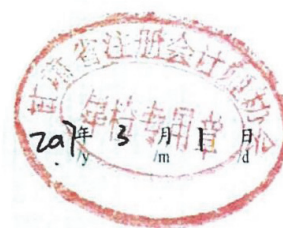
Annual Renewal Registration

This certificate is valid for another year after this renewal.

No. of Certificate: 620100010023

Authorized Institute of CPAs: Gansu Institute of Certified Public Accountants

Date of Issuance: 23 November 2016



Stock abbreviation: Zhuangyuan Pasture

Stock Code: 002910

Lanzhou Zhuangyuan Pasture Co., Ltd.*

蘭州莊園牧場股份有限公司



**Feasibility Report on the Use of
Proceeds Raised from the Public
Issuance of A Share Convertible Bonds**

January 2019

APPENDIX IV FEASIBILITY REPORT ON THE USE OF PROCEEDS RAISED FROM THE PROPOSED ISSUANCE OF A SHARE CONVERTIBLE BONDS

To further enhance the Company's core competitiveness and enhance its profitability, Lanzhou Zhuangyuan Pasture Co., Ltd. (hereinafter referred to as "Zhuangyuan Pasture", "the Company" or "Company") intends to raise proceeds from the Public Issuance of A Share Convertible Bonds (hereinafter referred to as "Convertible Bonds"). The feasibility analysis adopted by the Board of Directors of the Company on the use of proceeds raised from the Public Issuance of A Share Convertible Bonds is as follows:

I. PLAN ON USE OF PROCEEDS

The total amount of proceeds raised from the Public Issuance of A Share Convertible Bonds will not exceed RMB400 million (inclusive), which will be used for the following projects:

Unit: RMB10,000

No.	Project	Total amount of investment	Invest by proceeds
1	Reconstruction and expansion project with daily processing 600 tons of liquid milk of Lanzhou Zhuangyuan Pasture Co., Ltd.	30,531.14	20,000.00
2	10,000 dairy breeding cycle industrial park project of Gansu Ruijia Animal Husbandry Co., Ltd.in Jinchuan District	49,834.57	20,000.00
Total		80,365.71	40,000.00

Under the premise of not changing the investment projects, the Board of Directors will, according to the actual net proceeds, appropriately adjust and decide the investment order of proceeds and the specific investment amount and its use of each project based on the priority of the projects and other factors. The shortfall will be invested by the Company with its own funds. Before receipt of proceeds from the Issuance, the Company will implement the projects utilizing its own funds in accordance with the actual progress of the projects. Upon receipt of proceeds, the proceeds will be used to replace the Company's own funds contributed according to procedures required by relevant regulations.

II. BASIC INFORMATION OF THE INVESTMENT PROJECTS

(1) Reconstruction and expansion project with daily processing 600 tons of liquid milk

I. Project overview

Budget estimate of project investment: The total investment amount of the project is RMB305,311,400, and it is planned to use RMB200 million of proceeds raised from the Public Issuance of Convertible Bonds. The rest will be invested by the Company with its own funds.

Project construction period: The scheduled construction period of the project is 2 years.

Project implementation entity: Lanzhou Zhuangyuan Pasture Co., Ltd.

Project implementation location: The original factory area and surrounding area in Sanjiaocheng Village, Sanjiaocheng Town, Yuzhong County, Lanzhou City, Gansu Province

2. *Feasibility of project implementation*

(1) Industry consumption has greater growth potential in the future

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

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

(2) The state attaches great importance to the development of dairy products

At the beginning of 2017, the Ministry of Agriculture, the National Development and Reform Commission, the Ministry of Industry and Information Technology, the Ministry of Commerce, and the General Administration of Food and Drug Administration jointly issued the National Dairy Development Plan (2016-2020), emphasizing the important role of dairy industry in improving dietary structure of residents, strengthening national physique and increasing income of farmers and herdsmen, further clarified the strategic position of dairy industry in the national economy development, and formulated the overall goal and specific tasks of dairy industry development by 2020 based on analysis of problems and improvement of safeguards, pointing out the direction for the development of national dairy industry during the "13th Five-Year Plan" and even longer.

In June 2017, the General Office of the State Council promulgated the National Nutrition Plan (2017-2030), which would carry out systematic planning and promotion from the perspectives including popularizing food nutrition and health knowledge, vigorously developing food nutrition and health industry, etc., highlighting the determination and confidence of the government to improve national health and quality. The report to the 19th CPC National Congress even put forward “to implement the strategy of Healthy China and improve the national health policy”.

On 3 June 2018, the General Office of the State Council promulgated the “Opinions on Promoting the Revitalization of Dairy Industry to Ensure the Quality and Safety of Dairy Products”. In December 2018, the Ministry of Agriculture and Rural Affairs, the National Development and Reform Commission, the Ministry of Industry and Information Technology and other nine ministries jointly issued the Opinions on Further Promoting the Revitalization of Dairy Industry, and clearly required: take the goal of achieving comprehensive revitalization of dairy industry, optimize the layout of dairy industry, innovate the development mode of dairy industry, establish and improve the production and management system based on large-scale farming of dairy farmers, and by 2025, try to achieve national milk production of 45 million tons, so as to improve the quality, efficiency and competitiveness of China’s dairy industry.

The introduction of above development plan, opinions, industry policies and the convening of special meetings have created a good environment for dairy industry development. The project to be invested by proceeds is implemented based on the background of the state’s support on dairy industry, so it has a good policy feasibility basis.

(3) The Company has professional management team and professional talents

The Company has accumulated a large number of professional production personnel, technicians and sales personnel. Most of the Company’s senior management, production, R&D, QC and other executives have long been employed by the Company, so they are familiar with the Company’s existing production processes, product structure, industry characteristics, regional consumption habits, etc., and have a forward-looking perspective on market and technology development trends. They are capable to lead the Company to continue to maintain long-term, healthy and stable growth. In addition, the Company actively carried out communication and talks with professional institutions in the industry through field research and seminars, etc., and strengthened cooperation with universities and research institutions in and outside the province, laying a good foundation for the Company’s long-term development. In recent years, the Company has attached great importance to the introduction of talents, and has attracted a series of high-end talents including but not limited to marketing management, market development and technology research and development, providing strong personnel protection for the smooth implementation of the investment projects of proceeds raised from the Public Issuance of the Company.

(4) The Company has a diversified marketing network

The Company has established an excellent and stable marketing team. It is based in Gansu and Qinghai, deep-cultivates and intensively develops local consumer markets, adopts direct sales, distribution, agency sales and other market-oriented diversified marketing methods, such as student milk kiosks, community milk kiosks, self-service milk machines, etc.. The Company has established long-term, stable and good cooperative relations with major customers, and also has built obvious brand advantages and high market position in regional markets. On the basis of solid local markets, the Company also tried to develop the national dairy market, and formulated a detailed national business expansion plan. Depending on the professional sales team and necessary sales expenses, the Company achieved good results. The current marketing network covers more than 50 municipalities, counties and other consumer areas around the country. With the completion of the acquisition of Xi'an Dongfang Dairy Co., Ltd. ("Dongfang Dairy") in November 2018, the Company will, combining with its actual situation, take advantage of Dongfang Dairy's original product structure, sales channels and brand advantages so as to integrate its business. Meanwhile with Xi'an as the opportunity and entry point, the Company will gradually expand the product sales area to ensure the smooth implementation of the investment projects of proceeds raised from the Public Issuance and the market digestion of production capacity.

3. Necessity of project implementation

(1) Conducive to optimizing production processes and enriching product structure

The Company was founded in April 2000, and its production base in Sanjiaocheng Village, Sanjiaocheng Town, Yuzhong County, Lanzhou City, Gansu Province was completed and put into operation in 2003. So it has been close to 20 years ago, and some of the plant and other infrastructure are slightly outdated. During the period, although the production workshop and production equipment were partially expanded and reconstructed, but based on the smaller land area of the plant and the existing plant layout under previous market environment, the Company's dairy processing base in Yuzhong County can't fully meet the growing diversified needs of dairy consumption market.

In recent years, with the continuous improvement of dairy production technology, filling technology and the pursuit of dairy consumption, a variety of dairy products with new technologies have emerged in the market. Products with different processes, packaging and specifications are increasingly diversified, among which the growth rate of refrigerated lactic acid bacteria drinks and yoghurt at room temperature reached 6% and 27% respectively in the third quarter of 2018, especially the growth rate of yoghurt at room temperature was significantly higher than that of other dairy products. The Company's existing production lines can no longer meet the production of emerging products such as yoghurt at room temperature, lactic acid bacteria drinks, and other products with different packaging, specifications, etc.. Some products are even adopted commissioned processing to meet market demand. The old factory area is small, and the pre-processing equipment pipelines are complex, so it is not possible to upgrade directly in the original production workshop. The

implementation of the project to be invested by proceeds will be beneficial to the upgrading of the production process, meet the production requirements of emerging products such as yoghurt at room temperature, lactic acid bacteria drinks, and other products with different packaging, specifications, etc., and meet the growing diversified consumption demand in dairy market, and it also will benefit new product development and sales of the Company, enrich product structure, thus providing the Company with new profit growth points. At the same time, the implementation of the project will help the Company to solve its current entrusted processing problems and further strengthen product quality control.

(2) Conducive to improving production efficiency and reducing labor costs

As a regional leading dairy enterprise integrating farming, production and sales in Gansu, the Company has introduced the “Industry 4.0”, “Intelligent Production” and other concepts into dairy production and manufacturing processes by drawing on the advanced experience of leading enterprises and industry trends, such as Yili and Mengniu. The implementation of the project to be invested by proceeds will further enhance the intelligent automation production level through reasonable park layout, equipment upgrading, production process optimization, etc., and realize the replacement of artificial batching by the pre-production processing batching automation. So the devices will self-complete batching delivery with product ingredients researched by the market in advance, thus ensure that each feeding is more accurate, the product flavor is more stable, and at the same time achieve the automation of raw milk recycling, reduce the waste of raw milk in production process, and improve the utilization of raw milk. In addition, the project will introduce the all-intelligent packaging process simultaneously, realize the transformation of product packaging from manual to automation, thus improve packaging efficiency and reduce labor costs.

The Company’s production base in Yuzhong was established in 2003. Its layout was based on the market size, consumption demand and industry characteristics at that time, so it can’t fully meet modern production and the diversified consumption demand of the industry. Some defects are gradually highlighted. There are three independent production workshops, each of them has pre-processing and other production equipment and workshop staff, reducing production efficiency, causing a certain waste of resources, and also restricting production capacity. Because of their small size, they cannot accommodate new production lines or large-scale equipment such as new testing instruments. The implementation of the project will rely on experienced and well-qualified research institutions to rationalize and modernize the planning and layout of the project, eliminate the historical defects and unreasonable factors existing in current production base, and realize the reasonable allocation among R&D, production, inspection, packaging and warehouse, and keep space for the introduction of new production lines in the future, all which will be conducive to improving production efficiency, promoting energy efficiency, reducing labor costs and further moving towards intelligent and flexible production, in order to achieve long-term stable and sustainable development of the Company.

(3) Conducive to upgrading production standards and strengthening product quality control

Since its inception, the Company has been adhering to the development philosophy “Quality of Survival”, and constantly improved the original milk acquisition and self-owned breeding farm management system. It has obtained a full range of production and operation qualification certificates, introduced advanced production and testing equipment at home and abroad, and been equipped with professionals and storage facilities, so as to ensure the products are fresh and up to standard. However, due to the long time of factory construction and subject to the real factor of small space, the infrastructure of the production base in Yuzhong is slightly outdated, and the layout of the production area can’t fully meet the diversified market consumption demand and increasingly strict regulatory requirements. By upgrading the original testing center, the project will reach the leading level in the industry in terms of test ability and efficiency, providing a strong guarantee for the Company’s product quality. At the same time, it has the ability to issue test reports as an independent third party. The new workshop will raise the air cleanliness standard of the workshop, up from the existing 100,000 to 10,000, meeting the GMP (a pharmaceutical production quality management practice) certification level, thus provide a good environmental guarantee for product quality control. Therefore, the implementation of the project to be invested by proceeds will be helpful to improve production standards, strengthen product quality control, further enhance consumers’ recognition on the Company’s products, extend potential consumer categories, and consolidate and expand product market share.

(4) Conducive to seizing opportunities and realizing transformation and upgrading of production bases

As mentioned above, the Company’s production base in Yuzhong was built in 2003, which was a long time ago, so it can’t fully meet the growing diversified demand of dairy consumer market. Some factory buildings and other infrastructures are outdated and can’t meet the growing strict industry regulatory requirements, so the production base has realistic and urgent needs for transformation and upgrading. However, the original factory covers an area of 35.70 mu (亩) only, the space is small, and Sanjiaocheng Village, Sanjiaocheng Town where the production base locates is mainly with agricultural land. In 2018, the Yuzhong County Government levied a total of 113.82 mu (亩) of idle land around the production base in Yuzhong, changed its nature to industrial land, and started the bidding and auction process. The Company seized this rare opportunity to purchase the land with its own funds, and obtained the Real Property Ownership Certificate “Gan (2018) Yu Bu Dong Chan Quan No. 0034796” on 5 September, 2018, which provided necessary land use conditions to the implementation of the project. Since the newly acquired land is adjacent to the Company’s production base in Yuzhong, the implementation of reconstruction and expansion project of original production base is conducive to the integration of existing production equipment and other resources, rational planning and layout, and reducing the investment costs brought about by subsequent site selection and construction. Therefore, the implementation of the project is conducive to grasping the development opportunities, solving the actual needs of the transformation and upgrading of the production base in Yuzhong, and realizing the long-term development of the Company.

(2) 10,000 DAIRY BREEDING CYCLE INDUSTRIAL PARK PROJECT

1. Project overview

Budget estimate of project investment: the total investment amount of the project is RMB498,345,700, and it is planned to use RMB200 million of proceeds raised from the Public Issuance of Convertible Bonds. The rest will be invested by the Company with its own funds.

Project construction period: The scheduled construction period of the project is 2 years.

Project implementation entity: Gansu Ruijia Animal Husbandry Co., Ltd., a wholly-owned subsidiary of the Company

Project implementation location: South Beach, Gucheng Village, Shuangwan Town, Jinchuan District, Jinchang City, Gansu Province

2. Feasibility of project implementation

1. National and local policy support

The “Opinions on Promoting the Revitalization of Dairy Industry to Ensure the Quality and Safety of Dairy Products” issued by the General Office of the State Council clearly requires: make comprehensive deployment around the construction of milk source bases, processing and circulation of dairy products, supervision of dairy quality and safety, and consumption guidance; consolidate the development of Northeast China and Inner Mongolia production areas, North China and Central Plains production areas, and Northwest China production areas, actively open up southern production areas, coordinate the development of Holstein cattle and other dairy animals, and promote the coordinated development of milk source base construction, forage planting and dairy processing; by 2020, achieve the comprehensive production capacity of dairy industry greatly improved, the proportion of farms with a scale of more than 100 up to more than 65%, and the self-sufficiency rate of milk source up to over 70%.

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

The Company has been assessed as a national key leading enterprise of agricultural industrialization jointly by several ministries and commissions for many years. The implementation of this project belongs to the support area of national and local policies, meets the requirements of relevant industry policies, and has a good policy feasibility basis.

2. *Good economic and social effects*

In terms of breeding scale, after the project is completed and put into production, a large amount of green fodder, alfalfa, corn and other green fodder are needed, which will create a number of jobs and personnel needs. Also, the surrounding of the project implementation subject belongs to the above-mentioned agricultural raw material breeding area, and the per capita income level is low. The implementation of this project provides a reliable sales channel for the feed crops planted by surrounding farmers. Through the integrated operation of dairy products production, process and sales, the single, extensive and backward traditional animal husbandry industry will be changed, thus it will achieve a win-win situation between the Company and farmers, promote local economic development, reflect the social responsibility assumed by the Company as a key national leading enterprise in agricultural industrialization, and has good economic and social effects.

3. *Rich farming experience and professional talent reserve*

Since the outbreak of the melamine incident with the fuse of Sanlu Group's milk powder incident in 2008, in order to seek quality, reliable, fresh and stable raw milk, strengthen the product quality control from the source, the Company has selected cities and counties with rich grass, suitable climate and long cultivation history in Gansu, Qinghai and Ningxia provinces, invested in the construction of eight standardized, large-scale and modernized farms with self-raised funds and gradually put them into production. The Company strengthened cooperation with local dairy farmers with the model "company + base + farmers", integrated the farming resources in the surrounding areas, promoted the transformation of the farming mode from decentralization to large-scale, from small-scale to specialization, from low-capacity to high-capacity, and achieved good multi-win result among the Company, surrounding farmers and dairy farmers. Also, the Company has accumulated rich practical experience in the construction, operation and management, etc. of farms, and reserved necessary professional talents, which laying a solid foundation for the smooth implementation of the investment projects of proceeds raised from the Public Issuance of the Company.

3. *Necessity of project implementation*

1. *Conducive to the supply guarantee of the Company's raw milk*

With the launch and gradual advancement of the project to be invested by proceeds raised from the Issuance: reconstruction and expansion project with daily processing 600 tons of liquid milk of Lanzhou Zhuangyuan Pasture Co., Ltd., the project is expected to be completed and officially put into operation in 2020. After the project is fully put into production, the daily processing capacity, annual production capacity, production process and production efficiency of the Company's dairy products will be greatly improved when compared with before. The demand for raw materials for production will be further increased, especially the consumption of raw milk for production will increase significantly. In addition, the Company completed the acquisition of Dongfang Dairy in November 2018. With the integration of the Company's internal business, brands, channels and the synergy, Dongfang Dairy is expected to achieve steady growth in revenue and profit in the future, thus the demand for raw milk will also increase accordingly. The implementation and operation of the "10,000 dairy breeding cycle industrial park project" will provide the necessary raw milk guarantee for the

smooth implementation of the Company’s “reconstruction and expansion project with daily processing 600 tons of liquid milk”, meet the growing demand on production-use raw milk of the Company and its subsidiaries, and guarantee the stable supply ratio of the Company’s own raw milk, which is conducive to the quality control of the products.

2. *Conducive to further strengthen the Company’s product quality control*

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

3. *Conducive to meeting the growing demand for low temperature products*

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

4. *Conducive to the smooth implementation of the previous investment projects*

In June 2017, the Xining Municipal Government issued the “Delimitation Plan for Forbidden Areas & Restriction Areas for Animal and Poultry Breeding in Xining City (Trial)”, and the Company’s subsidiary, Qinghai Shengyuan Pasture Co., Ltd. (hereinafter referred to as “Qinghai Shengyuan”), was included in the Forbidden Areas. Up to now, the local government, the Agriculture and Animal Husbandry Bureau and other competent departments have not yet formulated a specific relocation plan. The Company has not received the notice of relocation of the pasture issued by the

competent department, but there is still a risk of relocation in Qinghai Shengyuan. According to the plan formulated previously, the Company intends to relocate the existing stock cattle in Qinghai Shengyuan to Wuwei Ruida Pasture Co., Ltd. (hereinafter referred to as “Wuwei Ruida”) to breed. Qinghai Shengyuan is one of the Company’s own pastures and is the main source of raw milk for the production of Qinghai Lake Dairy. In addition, the relocated pasture Wuwei Ruida is one of the implementation entity of the “10,000 imported fine cows farming construction project” to be invested by proceeds raised from the Company’s A-share IPO.

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

Therefore, the implementation of the “10,000 dairy breeding cycle industrial park project” is conducive to the Company’s pastures to cope with the future relocation risks, which is conducive to the smooth implementation of the Company’s previous investment projects.

III. THE IMPACT OF THE PUBLIC ISSUANCE ON THE OPERATION AND MANAGEMENT AND FINANCIAL POSITION OF THE COMPANY

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

The investment projects of proceeds are in line with the national industrial policies and the Company’s development demand. It is an upgrade and extension of the Company’s existing business, and will provide strong support for the Company’s sustainable development. Through the transformation and upgrading of existing production bases, the project will be equipped with advanced automated production equipment, which can expand the Company’s production capacity, improve the intelligence level and production efficiency, reduce labor costs, further strengthen product quality control, achieve scale effect, and reduce operating costs. Meanwhile, it will help to further optimize the product structure, meet the growing diversified market demand, enhance the ability to resist risks, and enhance the Company’s profitability. Therefore, the use of proceeds from the Issue is reasonable, feasible and necessary, in line with the interests of the Company and all shareholders as a whole, and is conducive to the Company’s long-term, stable and sustainable development.

(2) The impact of the Issuance of Convertible Bonds on the financial position of the Company

The project to be invested by proceeds has good market development prospects and economic benefits. After the project is completed and put into production, the Company's profitability and anti-risk ability will be enhanced; the Company's main business income and net profit will be greatly improved, and the financial position will be further optimized and improved; the Company's total assets and net assets (after the conversion) will be further increased. Since the interest rate of the Convertible Bonds is lower, so before the conversion, the Company's financial cost to use the proceeds is low, and with the conversion of the Convertible Bonds holders, the Company's asset-liability ratio will gradually reduce, which will help optimize the Company's capital structure and enhance its ability to resist risks.

IV. FEASIBILITY ANALYSIS CONCLUSION OF INVESTMENT PROJECTS

The investment direction of proceeds raised from the Company's Public Issuance is in line with the national industrial policies and the Company's strategic development plans. It has the necessity of implementing the projects, and it has the necessary conditions for implementing the project already. The investment projects have good market prospects and economic benefits. Through the implementation of the investment projects of proceeds, it will further enhance the Company's own milk supply ratio, strengthen product quality control, expand the production scale and comprehensive strength, optimize the product structure, achieve revenue and profit growth, enhance the core competitiveness and promote the sustainable development of the Company.

In summary, the investment projects of proceeds raised from the Public Issuance of A Share Convertible Bonds have good feasibility and necessity, and are in line with the interests of the Company and all shareholders.

Lanzhou Zhuangyuan Pasture Co., Ltd.
The Board of Directors
31 January 2019

The Board has proposed at the general meeting to authorize the Board to manage the matters relating to the Public Issuance of A Share Convertible Corporate Bonds, and the main contents of specific authorization matters are as follows:

- (1) to formulate and implement the proposal of the Issuance and other matters;
- (2) to approve, sign, amend, supplement, submit, report and execute all the agreements, reporting documents and other documents related to the Issuance and handle the procedures including related application, submission for approval, registration and filing;
- (3) to engage an intermediary body and sign a relevant agreement to handle the matters relating to the Issuance; to prepare, amend, submit the reporting materials in relation to the Issuance and listing according to the requirements of the regulatory authorities and reply to the feedback opinions from the securities regulatory authorities at its absolute discretion;
- (4) to handle the relevant matters of the utilization of the fund raised by the Issuance;
- (5) to handle the related matters including the registration and listing of the Convertible Corporate Bonds of the Issuance on the Shenzhen Stock Exchange and the Shenzhen Branch of the China Securities Depository and Clearing Co., Ltd. upon the completion of the Issuance;
- (6) to amend the related articles under the Articles of Association based on the progress of the Issuance and conversion of the Convertible Corporate Bonds in due course, and handle the matters in relation to the industrial and commercial filing, the registration for changes in registered capital, etc.;
- (7) to make adjustments to the matters including the proposal of the Issuance and the investment direction of the raised fund according to the relevant provisions and the requirements of the securities regulatory authorities (including the feedback opinions for the approval of the Issuance application) and the market conditions, and continue to handle the matters in relation to the Issuance;
- (8) to decide the matters including the postponed implementation or the early termination of the proposal of the Issuance;
- (9) the matters in relation to the security of the A Share Convertible Corporate Bonds of the Public Issuance;
- (10) to conduct all other necessary, appropriate and proper matters in relation to the Issuance on behalf of the Company to the extent of the circumstances as permitted by the relevant laws and regulations.

The validity period of the above-mentioned authorization shall be 12 months from the date on which this resolution is considered and approved at the general meeting. If the Company obtained the approval for the Public Issuance of Convertible Corporate Bonds from CSRC within the above-mentioned validity period, the validity period of the above-mentioned authorization shall be automatically extended to the completion date for the implementation of the Public Issuance.

The independent directors of the Company issued independent opinions on this resolution and the specific contents of such opinions are detailed in the “Independent Opinions of the Independent Directors of Lanzhou Zhuangyuan Pasture Co., Ltd. on the Relevant Matters of the Fifteenth Meeting of the Third session of the Board” published on the same day on CNINFO Website (www.cninfo.com.cn).

APPENDIX VI IMPACT ON THE COMPANY'S KEY FINANCIAL INDICATORS FROM DILUTION OF IMMEDIATE RETURNS BY THE PROPOSED ISSUANCE OF A SHARE CONVERTIBLE BONDS AND THE REMEDIAL MEASURES TO BE ADOPTED BY THE COMPANY

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

I. THE IMPACT OF DILUTED IMMEDIATE RETURNS ARISING FROM THE ISSUANCE ON KEY FINANCIAL INDICATORS OF THE COMPANY

(1) Assumptions

The following assumptions only measure the impact of the Issuance on EPS of the Company. It does not represent the Company's judgment on the operation and trends in 2019, nor does it constitute a profit forecast. Investors should not rely on it to make investment decisions, and for any loss arising from investment decisions made by investors based on it, the Company will not assume any liability for compensation.

1. Assume that no significant adverse changes occur in the macro-economic environment, the general policy of the industry, the development trend of the industry, the market situation of the products and the operating environment of the Company;
2. Assume that the Company could complete the Issuance of Convertible Bonds at the end of June 2019, the completion date is only used to calculate the impact of the Issuance on the immediate return, and finally the actual completion date after the approval by CSRC on the Issuance shall prevail;
3. Assume that total proceeds raised from the Issuance is the upper limit of the Issuance Plan, the total proceeds will be RMB400 million, and regardless of the impact of issuance expenses, the actual issuance number and the proceeds in place will be determined subject to the approval by CSRC, subscription of the Issuance, issuance expenses, etc.;
4. The period of Convertible Bonds under the Issuance is 6 years, assuming full conversion as of 31 December 2019 and without any conversion as of 31 December 2019 respectively. The completion date of the conversion is estimated only, and the actual date is finally subject to the completion of conversion by holders of the Convertible Bonds;
5. Assume that the conversion price of the Convertible Bonds is RMB12.12 per share, i.e. the higher price between the average trading price of A Shares during the 20 trading days and that on the trading day preceding 1 February 2019, the announcement date of the resolutions of the 15th meeting of the 3rd Board of Directors, the maximum number of shares converted is 32,997,559 shares, and the conversion price is only used to calculate the impact of diluted immediate returns arising from the Issuance on key financial indicators of the

**APPENDIX VI IMPACT ON THE COMPANY'S KEY FINANCIAL INDICATORS FROM DILUTION OF
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Company, so it does not constitute a numerical forecast of the actual conversion price, and the specific initial conversion price will be determined by the Board of Directors with authorization of the general meeting before the Issuance and after negotiation with the sponsor institution (leading underwriter) based on the market and company specific conditions, and ex-rights, ex-dividend adjustment or downward adjustment might be conducted;

6. According to the Audit Report (Rui Hua Shen Zi (2019) 62010001) issued by Ruihua Certified Public Accountants (Special General Partnership), the company's net profit attributable to shareholders of the parent and net profit attributable to shareholders of the parent after deducting non-recurring gains and losses in 2018 are RMB63,533,162.18 and RMB50,655,801.25 respectively. Assume that the Company's net profit attributable to shareholders of the parent and net profit attributable to shareholders of the parent after deducting non-recurring gains and losses in 2019 increase by 0% and 10% respectively compared with the data of 2018 (this assumption is only used to calculate the impact of this Issuance on main indicators, and does not represent the Company's judgment on the operation and trends in 2019);
7. The impact of the Issuance on the Company's production, operation and financial conditions (e.g. financial expenses, investment income) isn't considered;
8. In predicting the Company's net assets after the Issuance, the impact of other factors besides cash dividends, proceeds and net profit on net assets isn't considered.

The Company's proposals on profit distribution and transfer of share capital in 2018 are as follows: on 30 January 2019, the 14th meeting of the 2nd Board of Directors of the Company considered and approved the 2018 equity distribution plan, and the specific plan is: take total share capital of 187,340,000 shares of the Company on 31 December 2018 as the base, the Company distributes a cash dividend RMB0.68 (including tax) for every 10 shares to all shareholders, a total of RMB12,739,120.00 (including tax). The profit distribution doesn't include shares, and no provident fund converted into share capital. Assume that the above equity distribution plan is implemented and completed before the end of August 2019, and the impact of dividends on the conversion price isn't considered.

The above profit distribution plan still needs to be submitted to the Company's general meeting for consideration, and it is used to calculate the impact of diluted immediate returns of the Issuance of Convertible Bonds on key financial indicators, and does not represent the Company's commitment to 2018 cash dividends.

9. The impact of restricted shares and share options on the Company is not considered for the time being;
10. Assume that except for the Issuance, the Company will not implement other actions that have an impact or potential impact on the Company's total share capital;
11. In addition, the impact of the bank interest and interest expenses of the Convertible Bonds prior to the utilization of the proceeds raised is excluded from the consideration.

APPENDIX VI IMPACT ON THE COMPANY'S KEY FINANCIAL INDICATORS FROM DILUTION OF IMMEDIATE RETURNS BY THE PROPOSED ISSUANCE OF A SHARE CONVERTIBLE BONDS AND THE REMEDIAL MEASURES TO BE ADOPTED BY THE COMPANY

(2) Measurement process

Based on the above assumptions, the impacts of diluted immediate returns arising from the Public Issuance of A Share Convertible Bonds on the key financial indicators of the Company are shown as follows:

Item	2018/ 31 December 2018	2019/31 December 2019	
		Without any conversion as of 31 December 2019	Full conversion as of 31 December 2019
Total ordinary shares (Shares)	187,340,000	187,340,000	220,337,559
Proceeds of the Issuance (RMB)	—	400,000,000	400,000,000
Cash dividend (RMB)	13,675,820.00	12,739,120.00	12,739,120.00
Assumption 1: assume that the corresponding annual growth rates of net profit attributable to shareholders of the parent and net profit attributable to shareholders of the parent after deducting non-recurring gains and losses in 2019 are 0% (flat)			
Net assets attributable to shareholders of the parent at period beginning (RMB)	1,134,549,390.94	1,184,406,733.12	1,184,406,733.12
Net assets attributable to shareholders of the parent at period end (RMB)	1,184,406,733.12	1,235,200,775.30	1,635,200,775.30
Net profit attributable to shareholders of the parent (RMB)	63,533,162.18	63,533,162.18	63,533,162.18
Net profit attributable to shareholders of the parent after deducting non-recurring gains and losses (RMB)	50,655,801.25	50,655,801.25	50,655,801.25
Basic earnings per share (RMB per share)	0.3391	0.3391	0.3391
Diluted earnings per share (RMB per share)	0.3391	0.3391	0.3391
Basic earnings per share after deducting non-recurring gains and losses (RMB per share)	0.2704	0.2704	0.2704
Diluted earnings per share after deducting non-recurring gains and losses (RMB per share)	0.2704	0.2704	0.2704
Weighted average ROE	5.4630%	5.2423%	5.2423%
Weighted average ROE after deducting non-recurring gains and losses	4.3557%	4.1798%	4.1798%

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Item	2018/ 31 December 2018	2019/31 December 2019	
		Without any conversion as of 31 December 2019	Full conversion as of 31 December 2019
Assumption 2: assume that the corresponding annual growth rates of net profit attributable to shareholders of the parent and net profit attributable to shareholders of the parent after deducting non-recurring gains and losses in 2019 are 10% (flat)			
Net assets attributable to shareholders of the parent at period beginning (RMB)	1,134,549,390.94	1,184,406,733.12	1,184,406,733.12
Net assets attributable to shareholders of the parent at period end (RMB)	1,184,406,733.12	1,241,554,091.52	1,641,554,091.52
Net profit attributable to shareholders of the parent (RMB)	63,533,162.18	69,886,478.40	69,886,478.40
Net profit attributable to shareholders of the parent after deductingnon-recurring gains and losses (RMB)	50,655,801.25	55,721,381.37	55,721,381.37
Basic earnings per share (RMB per share)	0.3391	0.3730	0.3730
Diluted earnings per share (RMB per share)	0.3391	0.3730	0.3730
Basic earnings per share after deducting non-recurring gains and losses (RMB per share)	0.2704	0.2974	0.2974
Diluted earnings per share after deducting non-recurring gains and losses (RMB per share)	0.2704	0.2974	0.2974
Weighted average ROE	5.4630%	5.7515%	5.7515%
Weighted average ROE after deducting non-recurring gains and losses	4.3557%	4.5857%	4.5857%

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

II. Risk warning for dilution of immediate returns arising from the Public Issuance of Convertible Bonds

After the completion of the Issuance and prior to the conversion, the Company shall pay interest on the unconverted Convertible Bonds at the pre-agreed coupon rate. Since the coupon rate of Convertible Bonds is generally low, the dilution effect on EPS is small. In the long run, the increase in operation efficiency brought about by the Company's use of proceeds raised from the Issuance of Convertible Bonds will exceed the increase in financial costs, so the basic EPS will not be diluted.

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IMMEDIATE RETURNS BY THE PROPOSED ISSUANCE OF A SHARE CONVERTIBLE
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After the conversion of part or all of the Convertible Bonds held by the investors, total shares and net assets of the Company will increase accordingly, thus generating certain dilutive effect on existing shareholding ratio and EPS of the Company. In addition, the terms on downward adjustment to the conversion price have been set forth for the Public Issuance of Convertible Bonds. When the terms are triggered, the Company may apply for downward adjustment to the conversion price, resulting in the increase of total shares due to the conversion of the Convertible Bonds and the amplification of potential dilutive effect of the conversion on existing shareholders of ordinary shares of the Company.

After the Public Issuance of A Share Convertible Bonds by the Company, the immediate return has the risk of being diluted. Investors are advised to follow closely and pay attention to investment risks.

III. Necessity and rationality of the proceeds

The Company could raise total proceeds of not more than RMB400 million (inclusive) from the Public Issuance of A Share Convertible Bonds. The proceeds would be used in the following projects:

Unit: RMB10,000

No.	Project	Total investment	Proceeds to be used
1	Reconstruction and expansion project with daily processing 600 tons of liquid milk, Lanzhou Zhuangyuan Pasture Co., Ltd.	30,531.14	20,000.00
2	10,000 dairy breeding cycle industrial park project, Gansu Ruijia Animal Husbandry Co., Ltd.	49,834.57	20,000.00
Total		80,365.71	40,000.00

Under the premise of not changing the projects of proceeds, the Board of Directors will, according to the actual net proceeds, appropriately adjust and decide the investment order of the proceeds and the specific investment amount as well as its use of each project based on the priority of the projects and other factors. The shortfall will be invested by the Company with its own funds. Before receipt of the proceeds from the Issuance, the Company will implement the projects utilizing its own funds in accordance with the actual progress of the projects. Upon receipt of the proceeds, the proceeds will be used to replace the remaining funds according to procedures required by relevant regulations.

The proceeds from the Public Issuance of A Share Convertible Bonds will be used to develop the Company's main business, and all investment projects of proceeds are cautiously demonstrated by the Company already. The implementation of these projects will effectively expand the Company's production capacity, further improve the milk supply, strengthen the Company's product quality control, optimize product structure, thereby improving the Company's core competitiveness and profitability, and enhancing its sustainable development capability.

APPENDIX VI IMPACT ON THE COMPANY'S KEY FINANCIAL INDICATORS FROM DILUTION OF IMMEDIATE RETURNS BY THE PROPOSED ISSUANCE OF A SHARE CONVERTIBLE BONDS AND THE REMEDIAL MEASURES TO BE ADOPTED BY THE COMPANY

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

IV. THE RELATIONSHIP BETWEEN THE INVESTMENT PROJECTS OF PROCEEDS AND THE COMPANY'S EXISTING BUSINESS

The Company will use the proceeds from the Public Issuance of Convertible Bonds after deducting relevant issuance expenses to the “reconstruction and expansion project with daily processing 600 tons of liquid milk” and “10,000 dairy breeding cycle industrial park project, Gansu Ruijia Animal Husbandry Co. Ltd.”. Among them, the reconstruction and expansion project with daily processing 600 tons of liquid milk is the technical upgrade or capacity improvement of the Company's existing production lines, and the 10,000 dairy breeding cycle industrial park project, Gansu Ruijia Animal Husbandry Co. Ltd. provides supply guarantee for raw milk supply for the Company's production, thus ensuring that the Company's product quality is effectively controlled. Through the implementation of the projects of proceeds, the Company will expand the production capacity of major products, improve production process, meet the growing demand for various types of dairy products, and at the same time improve the intelligent level of production lines, thereby further improving production efficiency and reducing production cost.

After the completion of the Issuance, the Company's business scope remains unchanged. Except for the above-mentioned projects of proceeds, the Company has no other business and asset integration plans.

V. THE COMPANY'S RESERVES IN TERMS OF PERSONNEL, TECHNOLOGY AND MARKET FOR THE INVESTMENT PROJECTS OF PROCEEDS

(1) Personnel reserve

The Company has accumulated a large number of professional production personnel, technicians and sales personnel. Most of the Company's senior management, production, R&D, QC and other executives have long been employed in the Company, so they are familiar with the Company's existing production processes, product structure, industry characteristics, regional consumption habits, etc., and have a forward-looking perspective on market and technology development trends. They are capable to lead the Company to continue to maintain long-term healthy and stable growth. In addition, the Company has successively invested in the construction of 8 standardized breeding farms since 2009, and has rich practical experience in the construction of large-scale and modern breeding farms, providing necessary staffing for the smooth implementation of investment projects of proceeds. At the same time, the Company will strengthen all staff training, so that employees love their jobs, comply with systems, understand professional knowledge related to the work, maintain high position quality and professional ethics, find problems in time, properly handle and solve problems according to the rules and regulations, and ensure that the projects are implemented smoothly.

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(2) Technology reserve

The investment projects of proceeds are mainly implemented by the Company's management in response to the current market demand situation and industry consumption trends, in consideration of changes in future market demand, and in response to the National Dairy Development Plan (2016-2020) of the state. The projects can apply advanced production technology and process, adopt appropriate design scheme and modern management mode, and improve the layout of existing production workshop, inspection workshop and warehouse. And the projects, after putting into production, will optimize the existing production layout, improve the intelligent level of production, reduce labor costs, enhance the Company's competitiveness in the regional dairy market, and expand product production capacity and economic benefits. At present, the Company has independently obtained dozens of patent ownership. The Company's technology center has been awarded the title of "Provincial Enterprise Technology Center" jointly by Gansu Provincial Labor and Information Committee, Gansu Provincial Finance Department and several other departments. Many products independently researched and developed by the Company have obtained good market reputation. The rich industry experience and professional technical reserves accumulated over the years can guarantee the smooth implementation of investment projects of proceeds.

(3) Market reserve

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

In the next few years, the Company will further strengthen its leading position and brand recognition in Gansu and Qinghai markets. On the basis of a solid local market, the Company has developed a detailed national business expansion plan, provided a professional sales team and necessary sales expenses, in order to achieve the development strategy "based on the Northwest and go around the country". With the completion of the acquisition of Xi'an Dongfang Dairy Co., Ltd. ("Dongfang Dairy") in November 2018, the Company will, combining with its actual situation, take advantage of Dongfang Dairy's existing product structure, sales channels and brand advantages so as to integrate its business. Meanwhile, with Xi'an as the opportunity and entry point, the Company will gradually expand the product sales area to ensure the smooth implementation of investment projects of proceeds.

In summary, the investment projects of proceeds raised from the Public Issuance of A Share Convertible Bonds of the Company has a good foundation in terms of personnel, technology and market. With the promotion of investment projects of proceeds and the gradual expansion of business scale, the Company will further improve its reserves in terms of personnel, technology, market, etc., so as to meet the needs of continuous business development and upgrading.

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VI. MEASURES ADOPTED BY THE COMPANY FOR DILUTION OF IMMEDIATE RETURNS

The Company intends to reduce the dilution risk of the Issuance on the Company's immediate income by strengthening the management of proceeds, improving the Company's market competitiveness and sustainable profitability, optimizing the corporate governance structure, improving cash dividend policy, and increasing the return to shareholders, etc., thus protect the interests of shareholders, especially small and medium shareholders. The specific measures are as follows:

(1) Strengthen the management of proceeds to prevent the use risk of proceeds

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

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

(2) Accelerate the investment progress of projects of proceeds, and improve the use efficiency of proceeds

The Company will strictly follow the use of proceeds approved by the Board of Directors and the general meeting of shareholders. After the proceeds raised from the Issuance are in place, the Company will allocate various internal resources, accelerate the construction of investment projects of proceeds, improve the use efficiency of proceeds, and try to put investment projects of proceeds into production early and achieve the expected benefits, thus enhancing the Company's profitability and ensuring its long-term competitiveness and continuous profitability.

Before the proceeds are in place, in order to realize the profitability of investment projects of proceeds as soon as possible, the Company plans to actively raise funds through various channels, actively allocate resources, and carry out preparatory work for investment projects of proceeds. The Company will invest first with its own funds according to the implementation progress of projects, and carry out replacement after the proceeds are in place, so as to ensure the timely implementation of investment projects of proceeds, enhance the future returns of shareholders, and reduce the risk of dilution of immediate returns caused by the Issuance.

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(3) Strictly implement the cash dividend policy and strengthen the investor return mechanism

In accordance with the Notice on Further Implementing Rules regarding Distribution of Listed Companies (Zheng Jian Fa [2012] No. 37), the Guidelines for the Supervision and Control of Listed Companies No. 3 — Cash Dividend Distribution by Listed Companies (Zheng Jian Hui Gong Gao [2013] No.43) and relevant regulations as well as the spirit of the Guidelines for the Articles of Listed Companies (2016 Revision) of CSRC, the Company has formulated relevant provisions on profit distribution in the Articles of Association, which has clarified the specific conditions, proportions and distribution form for the Company's profit distribution (especially cash dividends) and share dividend distribution conditions, improved the decision-making procedures and mechanisms of the Company's profit distribution and the adjustment principles of profit distribution policy, and strengthened the interest protection mechanism for small and medium investors.

After the completion of the Issuance, and in the case of meeting the conditions of profit distribution, the Company will strictly implement the cash dividend policy and actively implement the profit distribution to shareholders in an effort to increase the return to shareholders.

(4) Improve the Company's operation efficiency and reduce operation costs

The Company will further strengthen quality control, continuously optimize business processes and internal control, and standardize management and control on various business segments. In the daily operation and management, the Company will strengthen the management on procurement, production, sales, research and development and other segments, further promote cost control, improve the asset operations efficiency, reduce the operation costs, thereby enhancing the Company's profitability.

(5) Optimize corporate governance and provide institutional guarantee for the Company's development

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

VII. COMMITMENTS MADE BY RELEVANT ENTITIES

(1) The Directors and senior management of the Company make the following commitments to ensure that the measures of the Company to remedy diluted immediate returns can be fully performed according to relevant provisions of CSRC:

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

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

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

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(2) In accordance with relevant provisions of CSRC, to ensure the dilution of immediate returns remedial measures can be fully performed, the controlling shareholders and actual controllers of the Company also make the following commitments:

1. not overstep their authority to intervene the operation management activities of the Company;
2. Effectively fulfill the return remedial measures set by the Company and all commitments relating to the return remedial measures. If I breach such commitments and cause losses to the Company or the investors, I am willing to bear the responsibility for compensation to the Company or investors in accordance with laws.

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

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

Hereby announce.

Board of Directors
Lanzhou Zhuangyuan Pasture Co., Ltd.
31 January 2019

GENERAL PROVISIONS

Article 1 In order to regulate the organization and behavior of the meetings of A Share Convertible Corporate Bond Holders of Lanzhou Zhuangyuan Pasture Co., Ltd. (hereinafter referred to as the “**Issuer**” or the “**Company**”), specify the authorities and obligations of the Bond Holders’ meetings and protect the legitimate rights and interests of the Bond Holders, the rules have been formulated pursuant to the relevant requirements under the laws and regulations including the Company Law of the People’s Republic of China, the Securities Law of the People’s Republic of China (《中華人民共和國證券法》), the Administration Measures for the Issuance of Securities by Listed Companies (《上市公司證券發行管理辦法》) promulgated by CSRC, the Shenzhen Stock Exchange Share Listing Rules (《深圳證券交易所股票上市規則》) and the Implementation Rules of the Convertible Corporate Bond Business of Shenzhen Stock Exchange (《深圳證券交易所可轉換公司債券業務實施細則》) and other normative documents with reference to the actual conditions of the Company.

Article 2 The Convertible Corporate Bonds under the rules shall be the Convertible Corporate Bonds (hereinafter referred to as the “**Convertible Bonds**”) as agreed to be issued by the Company pursuant to the Offering Document of the Public Issuance of A Share Convertible Corporate Bonds by Lanzhou Zhuangyuan Pasture Co., Ltd. (hereinafter referred to as the “**Offering Document of the Convertible Bonds**”). Bond Holders shall refer to the investors who acquire the Convertible Bonds through subscription and/or purchase or other legal means.

Article 3 Bond Holders’ meetings shall be composed of all Bond Holders under the rules and shall be convened and held according to the procedures stipulated in the rules to consider and vote for the matters within the extents of authority stipulated in the rules according to laws.

Article 4 The resolutions passed at Bond Holders’ meetings under the rules shall be equally binding on all Bond Holders (including those who are present at the meetings, do not attend the meetings, vote against the resolutions or abstain from voting and the Holders who become the holders of the Convertible Bonds through transfer after passing the relevant resolutions, similarly hereinafter).

Article 5 Investors who hold the Convertible Bonds through subscription, holding or transferring are deemed to agree all the articles under the rules and to be bound by the rules.

CHAPTER I RIGHTS AND OBLIGATIONS OF BOND HOLDERS**Article 6 Rights of the Convertible Bond Holders:**

1. to attend the Bond Holders' meetings whether in person or by proxy and exercise voting rights in accordance with the laws, administrative regulations and other relevant requirements;
2. to request the Issuer to repay the principal and interests of the Convertible Bonds within the agreed period and by the agreed manner;
3. to convert the Convertible Bonds held into A Shares of the Issuer according to the agreed conditions;
4. to exercise the right of sale back on agreed conditions;
5. to assign, bestow or pledge the Convertible Bonds held by them in accordance with the laws, administrative regulations and the Articles of Association of the Issuer;
6. to receive relevant information in accordance with the laws and the Articles of Association of the Issuer;
7. other rights as creditors of the Issuer prescribed by applicable laws, administrative regulations and the Articles of Association of the Issuer.

Article 7 Obligations of the Convertible Bond Holders:

1. to abide by the relevant terms of the issuance of the Convertible Bonds by the Issuer;
2. to pay the subscription amount in accordance with the number of Convertible Bonds subscribed for;
3. to abide by the valid resolutions approved at the meetings of Convertible Bond Holders;
4. not to request the Issuer to make prepayment of the principal and interest of the Convertible Bonds, unless otherwise required by applicable laws and regulations, or agreed in the Offering Document of the Convertible Bonds;
5. other obligations of Convertible Bond Holders prescribed by applicable laws, administrative regulations and the Articles of Association of the Issuer.

CHAPTER II EXTENTS OF AUTHORITY OF BOND HOLDERS' MEETINGS

Article 8 The extents of authority of Bond Holders' meetings are as follows:

1. to resolve on whether to agree the Issuer's proposal of modifying the proposal contained in the Offering Document of the Convertible Bonds, despite of the fact that the Bond Holders' meeting shall not resolve to agree the Issuer in not paying the principal and interest of the Bonds, modifying the interest rate and term of the Bonds or cancelling the terms of redemption or sale back contained in the Offering Document of the Convertible Bonds;
2. to resolve on whether to agree the solution to the failure to pay the principal and interest of the Convertible Bonds on time by the Issuer; to resolve on whether to entrust the agent of the pledgee (if any) to enforce the repayment of the principal and interest of the Bonds by the Issuer and the guarantors (if any) through litigation and other procedures; to resolve to whether to entrust the agent of the pledgee (if any) to participate in the legal procedures of the Issuer including rectification, settlement, reorganization or bankruptcy;
3. to resolve on whether to accept the Issuer's proposal in relation to a capital reduction (other than a capital reduction caused by a share buyback under equity incentive), merger, division, dissolution or filing for bankruptcy of the Issuer and to resolve on the proposal of exercising the legal rights of the Bond Holders according to laws;
4. to resolve on the proposal of exercising the rights of the Bond Holders according to laws in case any material adverse change arises from the guarantors (if any);
5. to resolve on the proposal of exercising the rights of the Bond Holders according to laws in case any event having a material impact on the interests of the Bond Holders happens;
6. to resolve on the amendments to the rules for the Bond Holders' meetings as permitted by the laws and regulations;
7. other circumstances which are required to be resolved at the Bond Holders' meetings in accordance with the laws, administrative regulations and normative documents.

CHAPTER III BOND HOLDERS' MEETINGS**SECTION I CONVENING OF BOND HOLDERS' MEETINGS**

Article 9 Bond Holders' meeting shall be convened upon the occurrence of any of the following events:

1. to propose to change the terms of the Offering Document of the Convertible Bonds;
2. the Company defaults in paying the principal and interests of the Convertible Bonds on time;
3. the Company undertakes a capital reduction, merger, division, dissolution, or files for bankruptcy;
4. to amend the rules for the Bond Holders' meetings;
5. there occur significant changes in the guarantor (if any) or the collateral (if any);
6. other matters which may affect the material interests of the Bond Holders;
7. other matters that should be considered and determined at the meetings of the Bond Holders in accordance with the provisions of the laws, administrative regulations, the CSRC, the stock exchange on which Convertible Bonds are to be listed for trading, and the rules.

Within 15 days after the above-mentioned events required in Item 2 happen, in the event that the Board fails to perform its duties under the rules, the Bond Holders individually or jointly holding more than 10% of the total par value of the outstanding Bonds are entitled to publish a notice of convening the Bond Holders' meeting in the form of an announcement.

Article 10 The following entities or individuals may propose the convening of the Bond Holders' meeting:

1. the Board of the Company;
2. the Bond Holders who, individually or jointly, hold 10% and more of the total nominal value of the outstanding Bonds by written proposal;
3. other entities or individuals stipulated by laws, regulations and the CSRC.

SECTION II CONVENING OF THE BOND HOLDERS' MEETING

Article 11 The Bond Holders' meeting shall be convened by the Board of the Company.

Article 12 The Bond Holders' meeting shall be convened by the Board of the Company within 30 days after the proposal of the meeting has been raised or received by the Board. The Board of the Company shall publish a notice in at least one designated newspaper and website 15 days prior to the meeting. The meeting notice shall include the following contents:

1. the date, specific time, venue and convening methods of the meeting;
2. the resolutions proposed to be considered at the meeting;
3. explicit text stating that all Bond Holders are entitled to attend and vote at the Bond Holders' meeting, either in person or by proxy;
4. necessary documents and formalities required for attending the meeting, including but not limited to the power of attorney authorizing the proxy to attend the meeting on behalf of the Bond Holder(s);
5. the record date to determine Bond Holders who are entitled to attend the Bond Holders' meeting;
6. the name of the convenor and the names and telephone numbers of the contact persons for the affairs of the meeting;
7. other matters required to be notified by the convenor.

After a notice of Bond Holders' meeting is given, no change shall be made to the meeting time or the proposals stated in the notice and the meeting shall not be cancelled due to a reason other than force majeure. In the event that there is a change in the meeting time or the proposals stated in the notice or the meeting is cancelled due to force majeure, the convenor shall notify all Bond Holders with reasons provided in the form of an announcement within at least five trading days prior to the original date of convening the Bond Holders' meeting. No change shall be made to the record date of the Bond Holders. The supplemental notice of the Bond Holders' meeting shall be published in the same designated media in which the notice of meeting was published.

After a notice of Bond Holders' meeting is given, in the event that the proposals to be resolved at the Bond Holders' meeting are cancelled, the convenor may cancel the Bond Holders' meeting with reasons provided in the form of an announcement.

SECTION III PARTICIPANTS OF THE BOND HOLDERS' MEETING

Article 13 The record date of the Bond Holders' meeting shall be the fifth trading day prior to the convening date of the Bond Holders' meeting. The Bond Holder whose name appears in the depository register of the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited or other institutions approved under applicable laws at the close of the debt registration date will be entitled to attend the Bond Holders' meeting and exercise his/her voting rights.

A Bond Holder who attends the Bond Holders' meeting shall produce his/her own identity document and stock account card holding the outstanding Bonds, or other supporting documents as required by the applicable laws. A legal representative or responsible person who attends a Bond Holders' meeting on behalf of the Bond Holder shall produce his/her own identity document, valid proof of his/her qualification as a legal representative or responsible person and stock account card holding the outstanding Bonds, or other supporting documents as required by the applicable laws.

A proxy who attends an meeting on behalf of the Bond Holder shall produce his/her own identity document, power of attorney issued by the principal (or his/her legal representative or responsible person) according to laws, identity document of the principal, stock account card holding the outstanding Bonds of the principal or other supporting documents as required by the applicable laws.

Article 14 The following entities or persons may attend the Bond Holders' meeting and submit proposal for consideration, but do not have voting rights:

1. the issuer of Bonds (namely, the Company);
2. the agent of the pledge (if any);
3. other key connected parties.

The Board of the Company shall appoint lawyers to attend the Bond Holders' meeting, issue legal opinion in relation to the calling, convening, voting procedures and qualifications of the participants of the meeting.

SECTION IV PROCEDURES OF THE BOND HOLDERS' MEETING

Article 15 Bond Holders' meeting may be convened in the form of on-site or internet or correspondence. The chairperson of the meeting shall announce the rules of procedures and important notice of the meeting, nominate and announce a controller of ballot and present the proposals. Voting will be commenced after discussion of the proposals and the resolution will be effective upon witness by the attorneys.

Article 16 Bond Holders' meeting shall be chaired and presided over by the authorized representative appointed by the Board of the Company to attend the meeting. In the event that the Board of the Company fails to perform its duties, a Bond Holder (or its proxy) elected by the Bond Holders (or proxies thereof) present at the Bond Holders' meeting who represent a majority of the voting rights for the bonds may serve as the chairman of the meeting and preside over the meeting. In the event that a moderator cannot be elected within one hour after the start of the meeting, the Bond Holder (or its proxy) attending the Meeting with the most voting rights represented by outstanding bonds shall serve as the chairman of the meeting and chair the meeting.

Article 17 The convener shall prepare a signature book of persons attending the meeting. The signature book shall contain the names (or names of entities), their identity card number and residential address, of the attendees, the par value of Bonds held or represented by the attendees and the names of their proxies (or names of entities).

Article 18 As requested by Bond Holders individually or jointly holding more than 10% of the total voting rights of the Bonds, the Company shall appoint its Directors, Supervisors or senior management to be present at the Bond Holders' meeting. Save for the trade secrets of the Company or those as restricted by the applicable laws and the information disclosure requirements of the listed companies, the Directors, Supervisors or senior management of the Company present at the meeting shall answer to or explain the enquiries and suggestions from the Bond Holders.

SECTION V VOTING AND RESOLUTION OF THE BOND HOLDERS' MEETING

Article 19 Each of the Bonds shall have one vote when the Bond Holders' meeting conducts the voting.

Article 20 The voting shall be conducted by way of open ballot in the Bond Holders' meeting.

Article 21 In order to be valid, the resolutions made at Bond Holders' meetings shall be agreed by more than one-half of the Bond Holders (or proxies of Bond Holders) who are present at the meeting with voting rights.

Article 22 Different proposals or different items contained in one proposal shall be discussed and voted separately at the Bond Holders' meeting.

Article 23 Bond Holders' meeting shall have minutes. The minutes shall contain the following contents:

1. time, venue, agenda and the name of convener of the meeting;
2. names of the chairman of the meeting, persons who attend and are present at the meeting, as well as names of witnessing lawyers, vote counter, scrutineers and the enumerator;

3. number of Bond Holders and proxies attending the meeting, and the number of Convertible Corporate Bonds with voting rights represented by Bond Holders and proxies attending the meeting and its proportion to the total number of Convertible Corporate Bonds of the Company;
4. the main points for each considered matter;
5. the voting results of each matter voted for;
6. the enquiries and suggestions of Bond Holders and reply or explanations from the Directors, Supervisors or senior management of the Company;
7. any other particulars considered to be necessary to be included in the minutes according to the laws, administrative regulations, normative documents and Bond Holders' meetings.

Article 24 A resolution of the Bond Holders' meeting shall be effective after being passed by voting, provided that, if the approval of the CSRC or other competent authorities is required, it shall become effective on the date of approval or other date confirmed by such approval.

Article 25 The resolution shall have the same effect on all the Bond Holders unless it expressly agrees to make special compensation for the objectors or the persons who have not attended the meeting.

Article 26 After a resolution is made by the Bond Holders' meeting, the Board of the Company shall notify the Bond Holders by means of announcement and implement such resolution accordingly.

CHAPTER IV SUPPLEMENTAL PROVISIONS

Article 27 If there is any specific provision on these rules for the Convertible Bond Holders' meeting in the laws, administrative regulations and normative documents, such provisions shall be complied with. Otherwise, no change shall be made to the rules.

Article 28 The matters to be announced under the rules shall be announced on the website of the Shenzhen Stock Exchange and the legal media of information disclosure designated by the Company ^{Note}.

Article 29 In the rules, the expressions of "above" and "within" shall be inclusive of the stated figure while the expressions of "over", "lower than" and "more than" shall be exclusive of the stated figure.

Note: The relevant information will be published on the website of the Hong Kong Stock Exchange as and when appropriate for information of the H Shareholders.

Article 30 The “outstanding Bonds” mentioned in the rules refers to all issued Bonds other than the following Bonds:

1. Bonds which have been paid for principal and interest;
2. Bonds which fall due for principal and interest with such payment being paid by the Issuer to the payment agent and becoming available to the Bond Holders. The payment shall comprise any interest and principal payable of such Bonds under the terms of the Bonds as at the date of payment;
3. Bonds which have been repurchased and cancelled by the Issuer as agreed.

Article 31 Any dispute arising from the legitimacy of the convening, holding, voting procedures and resolution of Bond Holders' meetings shall be resolved through litigation at the people's court having the right of jurisdiction where the Issuer's is located.

Article 32 The rules shall be effective from the date of issuing the Convertible Bonds upon consideration and approval at the general meeting of the Issuer.

The Board of Lanzhou Zhuangyuan Pasture Co., Ltd.
31 January 2019

Prior to the amendments	After the amendments	Basis of the amendments
Article 1 In order to establish the legal status of LANZHOU ZHUANGYUAN PASTURECO., LTD. (hereinafter referred to as the “Company”), regulate the organization and acts of the Company, safeguard the legal rights and interests of the Company, its shareholders and creditors thereof, and establish a good self-developing and self-disciplinary operating system, these Articles of Association are formulated in accordance with the Company Law of the People’s Republic of China (hereinafter referred to as the “Company Law”), the Securities Law of the People’s Republic of China (hereinafter referred to as the “Securities Law”), the Special Regulations of the State Council on the Overseas Share. Offering and Listing by Joint-stock Limited Liability Companies (國務院關於股份有限公司境外募集股份及上市的特別規定) (hereinafter referred to as the “Special Regulations”), the Mandatory Provisions of Articles of Association of Companies Listing Overseas (到境外上市公司章程必備條款), the Letter of Opinions on the Supplementation and Amendment of Articles of Association of Companies Listing in Hong Kong (關於到香港上市公司對公司章程作補充修改的意見的函), the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (hereinafter referred to as the “Hong Kong Listing Rules”), and other relevant provisions.	Article 1 In order to establish the legal status of LANZHOU ZHUANGYUAN PASTURECO., LTD. (hereinafter referred to as the “Company”), regulate the organization and acts of the Company, safeguard the legal rights and interests of the Company, its shareholders and creditors thereof, and establish a good self-developing and self-disciplinary operating system, these Articles of Association are formulated in accordance with the Company Law of the People’s Republic of China (hereinafter referred to as the “Company Law”), the Securities Law of the People’s Republic of China (hereinafter referred to as the “Securities Law”), the Constitution of the Communist Party of China (hereinafter referred to as the “Party Constitution”) , the Special Regulations of the State Council on the Overseas Share. Offering and Listing by Joint-stock Limited Liability Companies (國務院關於股份有限公司境外募集股份及上市的特別規定) (hereinafter referred to as the “Special Regulations”), the Mandatory Provisions of Articles of Association of Companies Listing Overseas (到境外上市公司章程必備條款), the Letter of Opinions on the Supplementation and Amendment of Articles of Association of Companies Listing in Hong Kong (關於到香港上市公司對公司章程作補充修改的意見的函), the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (hereinafter referred to as the “Hong Kong Listing Rules”), and other relevant provisions.	Reason for the amendments These Articles of Association are so amended in accordance with the Party Constitution due to the requirements of the party building work.
Article 11 The Company’s business objectives are: to introduce advanced technology and facilities, craftsmanship as well as quality dairy cows from overseas; to produce various kinds of premium dairy products; to allow our business operations to develop to its fullest potential; to motivate employees’ initiatives at their maximum; to steadily enhance the competitiveness of our products; to obtain satisfactory economic benefits; to strive for better financial return for the Company’s shareholders; to increase revenue for the employees and to enable the Company to develop and grow steadily.	Article 11 The Company’s business objectives are: to introduce advanced technology and facilities, craftsmanship as well as quality dairy cows from overseas; to produce various kinds of premium dairy products; to allow our business operations to develop to its fullest potential; to motivate employees’ initiatives at their maximum; to steadily enhance the competitiveness of our products; to obtain satisfactory economic benefits; to strive for better financial return for the Company’s shareholders; to increase revenue for the employees and to enable the Company to develop and grow steadily; to conscientiously implement the development concepts of innovation, coordination, green, openness and sharing; and to proactively fulfill its social responsibility.	Article 3 of the Code of Governance for Listed Companies: The listed companies should conscientiously implement the development concepts of innovation, coordination, green, openness and sharing, promote excellent entrepreneurship, proactively fulfill its social responsibility and develop good corporate governance practice.
Article 12 As registered in accordance with the laws, the Company’s scope of business includes: production, processing and sale of dairy products, lactic acid drinks and cold beverages; dairy cows farming, research and development of biotechnology and acquisition of feeds.	Article 12 As registered in accordance with the laws, the Company’s scope of business includes: production, processing and sale of dairy products, lactic acid drinks and cold beverages; dairy cows farming, research and development of biotechnology and acquisition of feeds; sale, lease, installation, maintenance, operation and management, and after-sales service of vending machines, and relevant technology consultation and technology promotion.	Reason for the amendments due to the need of operation

Prior to the amendments	After the amendments	Basis of the amendments
<p>Article 27 The Company may, in the following circumstances, buy back its shares pursuant to laws, administrative regulations, departmental rules and these Articles of Association:</p> <p>(1) Decreasing the registered capital of the Company;</p> <p>(2) Merging with other companies holding shares of the Company;</p> <p>(3) Awarding shares to employees of the Company;</p> <p>(4) As required by Shareholders objecting to resolutions of the general meeting concerning merger or division of the Company to buy their shares.</p> <p>The Company shall not trade its shares unless in the aforesaid circumstances.</p>	<p>Article 27 The Company may, in the following circumstances, buy back its shares pursuant to laws, administrative regulations, departmental rules and these Articles of Association:</p> <p>(1) Decreasing the registered capital of the Company;</p> <p>(2) Merging with other companies holding shares of the Company;</p> <p>(3) Offering shares for the employee's share scheme or as equity incentives;</p> <p>(4) As required by Shareholders objecting to resolutions of the general meeting concerning merger or division of the Company to buy their shares;</p> <p>(5) As the shares of the company being issued pursuant to the conversion of the convertible bonds of the company;</p> <p>(6) As a necessary measure to safeguard the value of the Company and interests of the shareholders.</p> <p>The Company shall not trade its shares unless in the aforesaid circumstances.</p>	<p>Article 142 of the Company Law of the People's Republic of China (revised in 2018): The company shall not purchase its shares unless under one of the following circumstances:</p> <p>(1) Decreasing the registered capital of the Company;</p> <p>(2) Merging with other companies holding shares of the Company;</p> <p>(3) Offering shares for the employee's share scheme or as equity incentives;</p> <p>(4) As required by Shareholders objecting to resolutions of the general meeting concerning merger or division of the Company to buy their shares;</p> <p>(5) As the shares of the listed company being issued pursuant to the conversion of the convertible bonds of the company;</p> <p>(6) As a necessary measure to safeguard the value of the company and interests of the shareholders.</p> <p>.....</p>

Prior to the amendments	After the amendments	Basis of the amendments
Article 28 The Company may buy back its shares in any of the following ways:	Article 28 The Company may buy back its shares in any of the following ways:	Article 142 of the Company Law of the People's Republic of China (revised in 2018):
(1) Offering to buy back shares from all shareholders on a pro rata basis;	(1) Offering to buy back shares from all shareholders on a pro rata basis;
(2) Buying back through open transaction in the stock exchange;	(2) Buying back through open transaction in the stock exchange;	A listed company shall comply with information disclosure obligation according to the Securities Law of the People's Republic of China whenever it purchases its shares. The shares of the listed company purchased under the circumstances prescribed in Articles 1(3), (5) and (6) shall be made via public centralized transaction approach.
(3) Buying back through agreement outside the stock exchange;	(3) Buying back through agreement outside the stock exchange;
(4) In other forms approved by laws, regulations, rules, normative documents and relevant competent authorities.	(4) In other forms approved by laws, regulations, rules, normative documents and relevant competent authorities.	
	The shares of the Company purchased under the circumstances prescribed in Articles 27(3), (5) and (6) shall be made via public centralized transaction approach.	

Prior to the amendments	After the amendments	Basis of the amendments
<p>Article 29 Where the Company should buy back the shares of the Company due to the reasons stated in the provisions of Articles 27(1) to (3) of these Articles of Association, the Company shall be approved on general meetings. After the Company buys back the shares pursuant to the provisions of Articles 27, such shares shall be cancelled within 10 days from the date of buyback under the circumstance as described in (1); such shares shall be either transferred or cancelled within six months if it is under the circumstance as described in (2) and (4). The shares bought back by the Company in accordance with the provisions of Article 27(3) of these Articles of Association shall not exceed 5% of the entire issued shares of the Company, and the payment of such buyback shall be made out of the after-tax profits of the Company; the shares bought back shall be transferred to employees within one year.</p>	<p>Article 29 Where the Company should repurchase the shares of the Company under the circumstances as stipulated in Articles 27(1) and (2) of these Articles of Association, the Company shall be approved on general meetings. The shares of the Company purchased according to the Articles 27(3), (5) and (6) shall be authorized by the general meeting and approved by two-third or above of the Directors attended the Board meeting. The Company shall comply with the disclosure obligation according to the Securities Law of the People's Republic of China when the Company purchases its shares.</p> <p>After the Company buys back the shares pursuant to the provisions of Article 27, such shares shall be cancelled within 10 days from the date of buyback under the circumstance as described in (1); such shares shall be either transferred or cancelled within six months if it is under the circumstance as described in (2) and (4). Under the circumstances prescribed in (3), (5) and (6), the total shares held by the Company shall not exceed 10% of the total issued share capital and shall be transferred or cancelled within three years.</p>	<p>Article 142 of the Company Law of the People's Republic of China (revised in 2018):</p> <p>.....</p> <p>Where the company should repurchase its shares under the circumstances as stipulated in (1) and (2) of the aforesaid Article, the company shall be approved on general meetings; the shares of the company purchased according to (3), (5) and (6) of the aforesaid Article shall comply with the articles of association of the company or be authorized by the general meeting and approved by two-third or above of the Directors attended the Board meeting.</p> <p>Whenever the company purchases its shares according to (1) of this Article, the purchase shall fall into circumstance prescribed in (1) and the shares shall be cancelled within 10 days from the date of purchase; for purchase of shares falling into (2) and (4) of this Article, the shares shall be transferred or cancelled within six months; for the purchase of shares falling into (3), (5) and (6) of this Article, the total shares held by the company shall not exceed 10% of the total issued share capital and shall be transferred or cancelled within three years.</p> <p>The company shall comply with the disclosure obligation according to the Securities Law of the People's Republic of China when the company purchases its shares.</p> <p>.....</p>

Prior to the amendments	After the amendments	Basis of the amendments
<p>Article 37 The shares of the Company held by the promoters shall not be transferred within one year after incorporation of the Company. Shares already issued by the Company before public offering shall not be transferred within one year after the shares of the Company are listed on the stock exchange.</p> <p>The directors, supervisors and senior management of the Company shall report to the Company their shareholdings and changes thereof and shall not transfer more than 25% of their shares per annum during their terms of office; the shares they hold in the Company shall not be transferred within one year after the shares of the Company are listed. The aforesaid persons shall not transfer their shares in the Company within half a year after they terminate service with the Company.</p>	<p>Article 37 The shares of the Company held by the promoters shall not be transferred within one year after incorporation of the Company. Shares already issued by the Company before public offering shall not be transferred within one year after the shares of the Company are listed on the stock exchange.</p> <p>The directors, supervisors and senior management of the Company shall report to the Company their shareholdings and changes thereof and shall not transfer more than 25% of their shares per annum during their terms of office; the shares they hold in the Company shall not be transferred within one year after the shares of the Company are listed. The aforesaid persons shall not transfer their shares in the Company within half a year after they terminate service with the Company. For any director, supervisor and senior management member who leaves before the expiration of his/their term(s) of service shall continue to comply with the requirements on sell-down under the Company Law and other relevant legal requirements within his/their defined term(s) of service and within six months after the expiration of his/their term(s) of service.</p>	<p>Article 12 of Implementation Measures of Shenzhen Stock Exchange on the Sell-down of Shares by Shareholders, Directors, Supervisors and Senior Management of Listed Companies: For any director, supervisor and senior management member who leaves before the expiration of his/their term(s) of service shall continue to comply with the following provisions within his/their defined term(s) of service and within six months after the expiration of the term(s) of service:</p> <p>(1) The shares transferred during the year shall not exceed 25% of the total number of shares of the company he/they held;</p> <p>(2) No shares of the company he/they held shall be transferred within six months upon his/their leave,</p> <p>(3) Other provisions relating to the transfer of shares by director, supervisor and senior management member under the Company Law.</p>
<p>Article 74 For the general meeting convened by the supervisory committee or shareholders on its/their own, the Board and the secretary to the Board shall cooperate. The Board shall provide the register of shareholders on the record date of the equity interests.</p>	<p>Article 74 For the general meeting convened by the supervisory committee or shareholders on its/their own, the Board and the secretary to the Board shall cooperate. The Board shall provide the register of shareholders on the record date of the equity interests. If the Board does not provide the register of shareholders, the convener shall apply and obtain the register from the related securities registration and settlement authorities by such announcement relating to the convening of general meeting. The registry of shareholders obtained by the convener shall not be used for purposes other than convening of general meeting.</p>	<p>Article 11 of the Rules for the General Meetings of Listed Companies: For the general meeting convened by the supervisory committee or shareholders on its/their own, the board and the secretary to the board shall cooperate. The board shall provide the register of shareholders on the record date of the equity interests. If the board does not provide the register of shareholders, the convener shall apply and obtain the register from the related securities registration and settlement authorities by such announcement relating to the convening of general meeting. The registry of shareholders obtained by the convener shall not be used for purposes other than convening of general meeting.</p>

Prior to the amendments	After the amendments	Basis of the amendments
<p>Article 77 Where the Company convenes a general meeting or meetings of the Board and the Supervisory Committee, shareholder(s) severally or jointly holding 3% or above shares of the Company may make proposals to the Company.</p> <p>Shareholder(s) severally or jointly holding 3% or above shares of the Company may nominate candidates for directors and supervisors to a the general meeting. If the number of directors nominated by any single shareholder exceeds 1/2 or above of the number of directors, the number of supervisors nominated by such shareholder shall not exceed 1/3 of the number of supervisors.</p> <p>Shareholder(s) severally or jointly holding 3% or above shares of the Company may submit written provisional proposals to the convener 10 days before a general meeting is convened. The convener shall serve a supplementary notice of general meeting within 2 days after receipt of a proposal, and announce the contents of the proposal on the agenda.</p> <p>Save as specified in the preceding paragraph, the convener shall not change the proposal set out in the notice of general meeting or add any new proposal after the said notice announcement is served.</p> <p>Proposals which are not specified in the notice of the general meeting or which do not comply with Article 76 of these Articles of Association shall not be voted and resolved at the general meeting and become resolutions.</p>	<p>Article 77 Where the Company convenes a general meeting or meetings of the Board and the Supervisory Committee, shareholder(s) severally or jointly holding 3% or above shares of the Company may make proposals to the Company.</p> <p>Shareholder(s) severally or jointly holding 3% or above shares of the Company may nominate candidates for directors and supervisors to a the general meeting. If the number of directors nominated by any single shareholder exceeds 1/2 or above of the number of directors, the number of supervisors nominated by such shareholder shall not exceed 1/3 of the number of supervisors.</p> <p>Where a candidate for director or supervisor is nominated by shareholders, the Company shall disclose detailed information of the candidate before convening the general meeting to ensure that shareholders have full understanding about the candidate.</p> <p>The candidate shall undertake in writing prior to the issuance of the notice of the general meeting that he accepts the nomination and undertakes the truthfulness, accuracy and completeness of the information disclosed about him and warrants that he will duly perform his duties as a director or a supervisor upon his appointment.</p> <p>Shareholder(s) severally or jointly holding 3% or above shares of the Company may submit written provisional proposals to the convener 10 days before a general meeting is convened. The convener shall serve a supplementary notice of general meeting within 2 days after receipt of a proposal, and announce the contents of the proposal on the agenda.</p> <p>Save as specified in the preceding paragraph, the convener shall not change the proposal set out in the notice of general meeting or add any new proposal after the said notice announcement is served.</p> <p>Proposals which are not specified in the notice of the general meeting or which do not comply with Article 76 of these Articles of Association shall not be voted and resolved at the general meeting and become resolutions.</p>	<p>Article 18 of the Code of Governance for Listed Companies:</p> <p>The listed company shall ensure the procedures of nomination, election and appointment of a director comply with the requirements of the articles of association of the company, to guarantee the openness, fairness and justice of the election of director. Article 19: the company shall disclose detailed information of the candidate before convening the general meeting to ensure that shareholders have full understanding about the candidate.</p> <p>The candidate shall undertake in writing prior to the issuance of the notice of the general meeting that he accepts the nomination and undertakes the truthfulness, accuracy and completeness of the information disclosed about him and warrants that he will duly perform his duties as a director or a supervisor upon his appointment.</p> <p>Article 44: According to the election and appointment procedure of supervisor, the code of the supervisory committee meeting, the supervisory committee meeting shall make reference to this Code and implement provisions on directors and the board. Election of employee supervisor shall be complied with the laws and regulations.</p>

Prior to the amendments	After the amendments	Basis of the amendments
<p>Article 80 A notice of general meeting shall be made in writing and include the following contents:</p> <p>(1) specify the time and date, place and duration of the meeting;</p> <p>(2) state the businesses and motions to be considered at the meeting;</p> <p>(3) provide such information and explanation as are necessary for the shareholders to make an informed decision on the matters to be discussed. Without limiting the generality of the foregoing, where a proposal is made to consolidate and repurchase the shares of the Company, to reorganize its share capital, or to restructure the Company in any other way, the specific terms and the contract, if any, of the proposed transaction must be provided and the reason and effect of such proposal must be properly explained;</p> <p>(4) contain a disclosure of the nature and extent of the material interests, if any, of any director, supervisor, general manager and other senior management in the matters to be discussed, and difference in the effect which the matters to be discussed will have on them in their capacity as shareholders in so far as it is different from the effect on the interests of shareholders of the same class;</p> <p>(5) contain the full text of any special resolution to be proposed at the meeting;</p> <p>(6) specify the date and place for the delivery of proxy form for use at the meeting;</p> <p>(7) contain a conspicuous statement that all shareholders are entitled to attend the general meeting and vote, and the shareholder may appoint a proxy in writing to attend the meeting and vote on his/her behalf and that a proxy need not be a shareholder of the Company;</p> <p>(8) specify the record date for determining the shareholders who are entitled to attend the general meeting;</p> <p>(9) state the names and telephone numbers of the standing contact persons for the meeting;</p> <p>(10) if a general meeting is held online or otherwise, the designated time and procedure for voting online or through other means shall be expressly stated in the notice of such meeting. The interval between the shareholding record date of a general meeting and the date of the meeting shall not be more than 7 working days. The shareholding record date shall not be changed once confirmed. Any notice and supplementary notice of general meetings shall sufficiently and completely disclose all contents of all motions in full. If any matter to be discussed requires opinions of the independent directors, the opinions and reasons of the independent directors shall be disclosed together with the issuance of such notice.</p>	<p>Article 80 A notice of general meeting shall be made in writing and include the following contents:</p> <p>(1) specify the time and date, place and duration of the meeting;</p> <p>(2) state the businesses and motions to be considered at the meeting;</p> <p>(3) provide such information and explanation as are necessary for the shareholders to make an informed decision on the matters to be discussed. Without limiting the generality of the foregoing, where a proposal is made to consolidate and repurchase the shares of the Company, to reorganize its share capital, or to restructure the Company in any other way, the specific terms and the contract, if any, of the proposed transaction must be provided and the reason and effect of such proposal must be properly explained;</p> <p>(4) contain a disclosure of the nature and extent of the material interests, if any, of any director, supervisor, general manager and other senior management in the matters to be discussed, and difference in the effect which the matters to be discussed will have on them in their capacity as shareholders in so far as it is different from the effect on the interests of shareholders of the same class;</p> <p>(5) contain the full text of any special resolution to be proposed at the meeting;</p> <p>(6) specify the date and place for the delivery of proxy form for use at the meeting;</p> <p>(7) contain a conspicuous statement that all shareholders are entitled to attend the general meeting and vote, and the shareholder may appoint a proxy in writing to attend the meeting and vote on his/her behalf and that a proxy need not be a shareholder of the Company;</p> <p>(8) specify the record date for determining the shareholders who are entitled to attend the general meeting;</p> <p>(9) state the names and telephone numbers of the standing contact persons for the meeting;</p> <p>(10) if a general meeting is held online or otherwise, the designated time and procedure for voting online or through other means shall be expressly stated in the notice of such meeting. The interval between the shareholding record date of a general meeting and the date of the meeting shall not be more than 7 working days. The shareholding record date shall not be changed once confirmed. Any notice and supplementary notice of general meetings shall sufficiently and completely disclose all contents of all motions and all such information or explanation as are necessary for the shareholders to make an informed judgment on the matters to be discussed in full. If any matter to be discussed requires opinions of the independent directors, the opinions and reasons of the independent directors shall be disclosed together with the issuance of such notice.</p>	<p>Article 16 of the Rules for the General Meetings of Listed Companies: Any notice and supplementary notice of general meetings shall sufficiently and completely disclose all contents of all motions and all such information or explanation as are necessary for the shareholders to make an informed judgment on the matters to be discussed in full. If any matter to be discussed requires opinions of the independent directors, the opinions and reasons of the independent directors shall be disclosed together with the issuance of such notice.</p>

Prior to the amendments	After the amendments	Basis of the amendments
<p>Article 113 The list of candidates for directors and supervisors shall be submitted to the general meeting for voting by way of proposal.</p> <p>When a voting is made on election of directors or supervisors at a general meeting, the cumulative voting system may be adopted in accordance with the requirement of the these Articles of Association or the resolutions of the general meeting. The directors or Supervisors shall implement the cumulative voting system when the largest shareholder holds 30% or above of the total shares of the Company or the connected persons together holds 50% or above.</p> <p>The “cumulative voting system” as referred to in the preceding paragraph means that when a General Meeting elects directors or supervisors, each share shall carry the same number of voting right as the number of directors or supervisors to be elected, and the voting rights owned by shareholders may be cumulatively used. The Board shall announce the resumes and basic information of the director or supervisors candidates to shareholders.</p> <p>If a director and supervisor is removed by the general meetings before their terms of office expire, relevant explanation shall be provided. The director and supervisor being removed shall be entitled to state his/her opinion to the general meeting.</p>	<p>Article 113 The list of candidates for directors and supervisors shall be submitted to the general meeting for voting by way of proposal.</p> <p>When a voting is made on election of directors or supervisors at a general meeting, the cumulative voting system may be adopted in accordance with the requirement of the these Articles of Association or the resolutions of the general meeting. The directors or Supervisors shall implement the cumulative voting system when the largest shareholder and parties acting in concert with it holds 30% or above of the total shares of the Company.</p> <p>The Company shall implement the cumulative voting system when electing two or more directors or supervisors.</p> <p>Where directors are elected at the general meeting under the cumulative voting system, the voting of the independent directors and non-independent directors shall be carried out separately.</p> <p>The “cumulative voting system” as referred to in the preceding paragraph means that when a General Meeting elects directors or supervisors, each share shall carry the same number of voting right as the number of directors or supervisors to be elected, and the voting rights owned by shareholders may be cumulatively used. The Board shall announce the resumes and basic information of the director or supervisors candidates to shareholders.</p> <p>If a director and supervisor is removed by the general meetings before their terms of office expire, relevant explanation shall be provided. The director and supervisor being removed shall be entitled to state his/her opinion to the general meeting.</p>	<p>Article 17 of the Code of Governance for Listed Companies: Election of directors or supervisors shall adequately reflect the opinions of minority shareholders. The cumulative voting system shall be actively promoted in the election of directors and supervisors in the general meetings. A listed company with one single shareholder and parties acting in concert with it holding 30% or more of the shares shall adopt the cumulative voting system. The relevant implementing rules shall be provided in the articles of association of the listed company adopting the cumulative voting system.</p> <p>Guidelines of the Shenzhen Stock Exchange for Standardized Operation of Companies Listed on the Small and Medium-Sized Enterprise Board</p> <p>2.2.11 A listed company shall provide in its articles of association to implement the cumulative voting system when electing two or more directors or supervisors. SZSE encourages companies to adopt the competitive election method in election of directors and supervisors, and encourages companies to stipulate in their articles of association that shareholders individually or collectively holding more than 1% of the company’s shares may propose candidates for directors and supervisors before the relevant general meeting.</p> <p>Where directors are elected at the general meeting under the cumulative voting system, the voting of the independent directors and non-independent directors shall be carried out separately.</p>

Prior to the amendments	After the amendments	Basis of the amendments
Article 160 The Board shall exercise the following functions and powers:	Article 160 The Board shall exercise the following functions and powers:	Article 142 of the Company Law of the People's Republic of China (revised in 2018)
(1) To convene general meetings and report to general meetings;	(1) To convene general meetings and report to general meetings;
(2) To execute resolutions of general meetings;	(2) To execute resolutions of general meetings;	Where the Company purchase its own shares under such circumstances as stipulated in items (1) and (2) above, a resolution shall be made therefore at the general meeting. Where the Company purchase its own shares under such circumstances as stipulated in items (3), (5) and (6) above, the relevant resolution shall be passed at a Board meeting with the presentation of over two-thirds of all the directors, in accordance with provisions of these Articles of Association or authorities of the general meeting.
(3) To resolve on the Company's business plans and investment plans;	(3) To resolve on the Company's business plans and investment plans;
(4) To formulate the Company's long-term and mid-term development plan;	(4) To formulate the Company's long-term and mid-term development plan;	
(5) To prepare the annual financial budgets and final accounting plans of the Company;	(5) To prepare the annual financial budgets and final accounting plans of the Company;	
(6) To prepare the profit distribution plan and loss makeup plan of the Company;	(6) To prepare the profit distribution plan and loss makeup plan of the Company;	
(7) To prepare plans for the increase or decrease of the registered capital of the Company, the issuance of bonds or other securities and the Listing;	(7) To prepare plans for the increase or decrease of the registered capital of the Company, the issuance of bonds or other securities and the Listing;	
(8) To formulate plans for material acquisitions, purchase of shares of the Company, merger, division, dissolution or transformation of the Company;	(8) To formulate plans for material acquisitions, purchase of shares of the Company, merger, division, dissolution or transformation of the Company;	
(9) To decide on external investment, acquisition and disposal of assets, asset mortgage, external guarantee, consigned financial management, connected transactions, etc. of the Company within the authority granted by the general meeting;	(9) To decide on external investment, acquisition and disposal of assets, asset mortgage, external guarantee, consigned financial management, connected transactions, etc. of the Company within the authority granted by the general meeting;	
(10) To resolve on the establishment of internal management organizations of the Company;	(10) To resolve on the establishment of internal management organizations of the Company;	
(11) To appoint or dismiss the Company's general manager, secretary of the Board, chief compliance officer and chief audit officer as nominated by the chairman of the Board; to appoint or dismiss the Company's vice general manager, chief financial officer and other senior management as nominated by the general manager; and to determine their remunerations and rewards and penalties;	(11) To appoint or dismiss the Company's general manager, secretary of the Board, chief compliance officer and chief audit officer as nominated by the chairman of the Board; to appoint or dismiss the Company's vice general manager, chief financial officer and other senior management as nominated by the general manager; and to determine their remunerations and rewards and penalties;	
(12) To set up the basic management system of the Company;	(12) To set up the basic management system of the Company;	
(13) To formulate the proposals for any amendment to these Articles of Association;	(13) To formulate the proposals for any amendment to these Articles of Association;	
(14) To manage the disclosure of information by the Company;	(14) To manage the disclosure of information by the Company;	
(15) To propose to general meetings the appointment or change of the accounting firm acting as the auditors of the Company;	(15) To propose to general meetings the appointment or change of the accounting firm acting as the auditors of the Company;	
(16) To listen to the work report of the general manager of the Company and examine the general manager's work;	(16) To listen to the work report of the general manager of the Company and examine the general manager's work;	
(17) To monitor, review and evaluate the establishment and implementation of the Company's various internal control systems and to be responsible for the effectiveness of the internal control;	(17) To monitor, review and evaluate the establishment and implementation of the Company's various internal control systems and to be responsible for the effectiveness of the internal control;	
(18) To exercise other functions and powers as conferred by laws, administrative regulations, departmental rules or these Articles of Association.	(18) To make resolution with regard to the Company's acquisition of shares of the Company under such circumstances as stipulated in items (3), (5) and (6) of Article 27 of these Articles of Association.	
	(19) To exercise other functions and powers as conferred by laws, administrative regulations, departmental rules or these Articles of Association.	

Prior to the amendments	After the amendments	Basis of the amendments
<p>Article 176 Directors shall attend Board meetings in person. If any director cannot attend the meeting for any reason, he may authorize in writing another director to act on his behalf. The power of attorney shall set out the name of the proxy, the matters represented, scope of authorization and validity period, and shall be signed or sealed by the appointing director. The appointed director who attends the meeting shall exercise the director's duties within the scope of authorization. If a director does not attend a Board meeting in person and does not appoint a proxy to attend the meeting, he shall be deemed to have waived the voting rights at the meeting.</p> <p>A director shall not make or accept an appointment without voting intentions, discretionary appointment or appointment with indefinite scope of authorization. The responsibility of a director in connection with his/her voting on resolutions cannot be waived by attending the meeting by a proxy.</p>	<p>Article 176 Directors shall attend Board meetings in person. If any director cannot attend the meeting for any reason, he may authorize in writing another director to act on his behalf. The power of attorney shall set out the name of the proxy, the matters represented, scope of authorization and validity period, and shall be signed or sealed by the appointing director. The appointed director who attends the meeting shall exercise the director's duties within the scope of authorization. If a director does not attend a Board meeting in person and does not appoint a proxy to attend the meeting, he shall be deemed to have waived the voting rights at the meeting.</p> <p>A director shall not make or accept an appointment without voting intentions, discretionary appointment or appointment with indefinite scope of authorization. The responsibility of a director in connection with his/her voting on resolutions cannot be waived by attending the meeting by a proxy.</p> <p>One director shall not accept appointment by more than two directors to attend one Board meeting on his/her behalf. An independent director shall not appoint a director who is not an independent director to attend the meeting on his/her behalf. Where connected transactions are considered, a non-connected director shall not appoint a connected director to attend the meeting on his/her behalf.</p>	<p>Guidelines of the Shenzhen Stock Exchange for Standardized Operation of Companies Listed on the Small and Medium-Sized Enterprise Board</p> <p>3.3.3 Directors shall attend Board meetings in person. If any director cannot attend the meeting for any reason, he shall carefully choose and authorize in writing another director to act on his/her behalf. An independent director shall not appoint a director who is not an independent director to attend the meeting on his/her behalf. In relation to voting on resolutions, the appointer should specify his/her opinions on vote for, vote against or abstain from voting on each of the resolutions in the power of attorney. A director shall not make or accept the appointment or carte blanche without any voting intent on the resolutions, or any appointments that are not well defined. The responsibility of a director in connection to his/her voting on resolutions cannot be waived by attending the meeting by a proxy.</p> <p>One director shall not accept appointment by more than two directors to attend one Board meeting on his/her behalf. Where connected transactions are considered, a non-connected director shall not appoint a connected director to attend the meeting on his/her behalf.</p>

Prior to the amendments	After the amendments	Basis of the amendments
Add one chapter "PARTY COMMITTEE" after Chapter 7 "Supervisory Committee" as Chapter 8, and the serial numbers of other articles of the original Articles of Association shall be ascended in order.	<p>Chapter 8 PARTY COMMITTEE</p> <p>Article 215 Pursuant to the Party Constitution, the Company shall set up a working body for the Party, allocate staff to deal with Party affairs and guarantee funds and venue to operate the Party organization. The Party Committee shall perform the leadership function, and discuss and decide on major issues of the Company in accordance with regulations. Work of the Party Committee shall be carried out in accordance with the Party Constitution as well as other relevant provisions.</p> <p>Article 216 Depending on the needs of work and the number of Party members, the Party Committee shall be established upon approval of higher-level Party organizations, and the members of the Party Committee shall be elected or appointed in accordance with the Party Constitution and other relevant provisions.</p> <p>Article 217 The branch Party Committee of the Company shall perform the following duties pursuant to the Party Constitution and other regulations of the Party:</p> <p>(1) Guarantee and supervise the implementation of policies and guidelines of the Party and the state in the Company, to carry out the major strategic decisions of the CPC Central Committee and the State Council, to fulfill the relevant important work deployment of the higher-level Party organizations;</p> <p>(2) Insist on the integration of the principle that the Party manages the officials with the function of the Board in the lawful selection of the management and with the lawful exercise of authority of appointment, promotion and demotion of personnel by the management. Establish and perfect the selection and employment mechanism that meets the modern enterprise system and market competition requirements, and build high-quality operating management and talented teams;</p> <p>(3) Study and discuss reform, development and stability of the Company, material operation and management issues and material issues concerning employees' immediate interests, and propose opinions and suggestions thereon;</p> <p>(4) Assume the primary responsibility to run the Party comprehensively with strict disciplines, lead the Company's ideological and political work, the United Front work, the cultural and ethical progress, corporate culture cultivation as well as the work of groups such as the Labor Union of the Company and the Communist Youth League, lead the construction of the Party's working style and its clean and honest administration, and support the Discipline Inspection Commission in earnestly performing its supervisory responsibilities;</p> <p>(6) Other functions that should be undertaken by the Party Committee of the Company.</p>	<p>Article 5 of Code of Governance for Listed Companies Listed companies shall, in accordance with provisions of the Company Law, set up its organization of the Communist Party of China to carry out the Party's activities. The listed companies shall provide requisite conditions for such activities of the Party Committee.</p> <p>Article 30 of the Constitution of the Communist Party of China All enterprises, rural areas, authorities, schools, scientific research institutes, street communities, social organizations, PLA companies and other primary units with more than three full members shall establish primary organizations of the Party.</p> <p>Depending on the needs of work and the number of Party members and upon approval of higher-level Party organizations, primary Party committees, committees of general Party branches, committees of Party branches under the primary organizations of the Party shall be set up, respectively. Primary Party committees are elected by the Party member congresses or representative congresses, committees of general Party branches and committees of Party branches are elected by the Party member congresses. The opinions of Party members and the masses shall be widely sought during proposing candidates of members.</p> <p>Article 33the primary organizations of the Party under non-public ownership organizations consistently perform the guidelines and policies, leading and supervising enterprises to comply with relevant laws and regulations of the state, leading trade unions, the Communist Youth League and other groups to unite and condense the staff and masses, safeguard the legitimate rights and interests of all parties, and promote the healthy development of enterprises.....</p>

Prior to the amendments	After the amendments	Basis of the amendments
<p>Article 286 The Company shall amend these Articles of Association in any of the following circumstances:</p> <p>(1) after the amendments are made to the Company Law or other relevant laws and administrative regulations, these Articles of Association run counter to the said amendments;</p> <p>(2) the Company's conditions have changed, and such change rendering these Articles of Association inconsistent; and</p> <p>(3) the general meeting has resolved to amend these Articles of Association.</p>	<p>Article 289 The Company shall amend these Articles of Association in any of the following circumstances:</p> <p>(1) after the amendments are made to the Company Law, the Party Constitution or other relevant laws and administrative regulations and the further perfection of provisions regarding the party building work of the Central Party Committee, these Articles of Association run counter to the said amendments;</p> <p>(2) the Company's conditions have changed, and such change rendering these Articles of Association inconsistent; and</p> <p>(3) the general meeting has resolved to amend these Articles of Association.</p>	<p>[Reason for the amendments] These Articles of Association are so amended in accordance with the Party Constitution due to the requirements of the party building work.</p>

Before the amendments	After the amendments	Basis of the amendments
Article 3 Shareholders' general meetings shall comprise annual general meetings and extraordinary general meetings. Annual general meetings shall be convened once a year and shall be held within six months from the end of the preceding accounting year. Extraordinary general meetings are held in an ad-hoc manner; where an extraordinary general meeting is required to be held pursuant to the provisions of Article 101 of the Company Law, the extraordinary general meeting shall be held within two months.	Article 3 Shareholders' general meetings shall comprise annual general meetings and extraordinary general meetings. Annual general meetings shall be convened once a year and shall be held within six months from the end of the preceding accounting year.	Reasons for the amendments The deleted part has been incorporated into Article 5 of the Rules
Article 6 The Company should hold general meetings within the time specified in Article 3 of the Rules, and the board of directors should notify all shareholders registered on the register of members before 20 days of the meeting date (exclusive); notices of extraordinary general meetings should be given to all shareholders 15 days before the meeting date (exclusive).	Article 6 The board of director shall hold general meetings within the time specified in Article 3 and Article 5 of the articles of association.	Article 6 of the Rules of General Meetings of Listed Companies The board of directors shall hold general meetings within the time specified in Article 4 of the Rules.
Article 13 The notice of shareholders' general meeting shall set forth the following particulars: (1) time, venue and duration of the meeting; (2) matters submitted to the meeting for consideration; (3) contain a conspicuous statement: that all shareholders shall be entitled to attend the general meeting and may authorize a proxy to attend such meeting and participate in voting, who is not necessarily a shareholder of the Company; (4) the record date for determine the shareholders who are entitled to attend the meeting; (5) time and venue for serving the power of attorney for the voting proxy for the meeting; and (6) name and telephone number of the standing contact person of the meeting;	<div style="text-align: center;">This Article has been deleted</div>	Reasons for the amendments The deleted part has been incorporated into Article 15 of the Rules.

Before the amendments	After the amendments	Basis of the amendments
Chapter 3 Proposals of General Meetings	Chapter 3 Proposals and Notices of General Meetings	Chapter 3 of the Rules of Shareholders 'General Meetings of Listed Companies Proposals and Notices of General Meetings
Due to the addition of this Article in Chapter 3, the serial numbers of the original rules shall be ascended in order.	<p>Article 13 A 45-day written notice for convening the shareholders' general meeting shall be served on the shareholders whose names appear in the register of shareholders with the matters proposed to be considered and the date and place of the meeting. Shareholders who intend to attend the meeting shall send the written reply slip to the Company 20 days prior to the date of the meeting. The calculation of the starting date shall not include the date on which the meeting is convened.</p> <p>Article 14 The Company shall calculate the number of shares with voting rights represented by shareholders who intend to attend the meeting according to the written replies received 20 days before the convening of the shareholders' general meeting. Where the number of shares with voting rights represented by shareholders who intend to attend the meeting exceeds one-second of the total number of shares with voting rights of the Company, the Company may convene a shareholders' general meeting; if not, the Company shall, within five days thereafter, again notify, in the form of announcement, shareholders of the matters to be considered at the meeting and the date and venue of the meeting; only after such notice in the form of announcement, the Company may convene the shareholders' general meeting.</p> <p>Article 15 Any notice of a general meeting shall be made in writing and include the following particulars:</p> <p>(1) specify the time, the venue, and the duration of the meeting;</p> <p>(2) specify the matters and proposals to be examined and approved at the meeting;</p>	<p>Article 78 A 45-day written notice for convening the shareholders' general meeting shall be served on the shareholders whose names appear in the register of shareholders with the matters proposed to be considered and the date and venue of the meeting. Shareholders who intend to attend the meeting shall send the written reply slip to the company 20 days prior to the date of the meeting. The calculation of the starting date shall not include the date on which the meeting is convened.</p> <p>Article 79 A company shall calculate the number of shares with voting rights represented by shareholders who intend to attend the meeting according to the written replies received 20 days before the convening of the shareholders' general meeting. Where the number of shares with voting rights represented by shareholders who intend to attend the meeting exceeds one-second of the total number of shares with voting rights of the company, the company may convene a shareholders' general meeting; if not, the company shall, within five days thereafter, again notify, in the form of announcement, shareholders of the matters to be considered at the meeting and the date and venue of the meeting; only after such notice in the form of announcement, the company may convene the shareholders' general meeting.</p> <p>Article 80 Any notice of a general meeting shall be made in writing and include the following particulars:</p> <p>(1) specify the time, the venue, and the duration of the meeting;</p> <p>(2) specify the matters and proposals to be examined and approved at the meeting;</p>

Before the amendments	After the amendments	Basis of the amendments
	<p>(3) provide such information and explanation as necessary for the shareholders to make an informed decision on the proposals put before them. This principle includes (but is not limited to), where a proposal is made to merge the Company with another, to repurchase shares, to reorganize the share capital, or to restructure the Company in any other way, the terms of the proposed transaction must be provided in detail together with copies of the proposed agreement, if any, and the cause and effect of such proposal must be properly explained;</p> <p>(4) contain a disclosure of the nature and extent of any material interests of any director, supervisor, general manager and senior management officer in the proposed transaction and provide an explanation of the differences between the effect of the proposed transaction on them in their capacity as shareholders and the effect on the shareholders of the same class;</p> <p>(5) contain the full text of any special resolution to be proposed at the meeting;</p> <p>(6) specify the time and venue for lodging proxy forms for the relevant meeting;</p> <p>(7) contain a conspicuous statement that all shareholders are entitled to attend and vote at the shareholders' general meetings and may appoint in writing proxies to attend and vote at the meeting on his behalf and that such proxy need not be a shareholder of the Company;</p>	<p>(3) provide such information and explanation as necessary for the shareholders to make an informed decision on the proposals put before them. This principle includes (but is not limited to), where a proposal is made to merge the company with another, to repurchase shares, to reorganize the share capital, or to restructure the company in any other way, the terms of the proposed transaction must be provided in detail together with copies of the proposed agreement, if any, and the cause and effect of such proposal must be properly explained;</p> <p>(4) contain a disclosure of the nature and extent of any material interests of any director, supervisor, general manager and senior management officer in the proposed transaction and provide an explanation of the differences between the effect of the proposed transaction on them in their capacity as shareholders and the effect on the shareholders of the same class;</p> <p>(5) contain the full text of any special resolution to be proposed at the meeting;</p> <p>(6) specify the time and venue for lodging proxy forms for the relevant meeting;</p> <p>(7) contain a conspicuous statement that all shareholders are entitled to attend and vote at the shareholders' general meetings and may appoint in writing proxies to attend and vote at the meeting on his behalf and that such proxy need not be a shareholder of the company;</p>

Before the amendments	After the amendments	Basis of the amendments
	<p>(8) specify the record date for determining the shareholders who are entitled to attend the shareholders' general meeting;</p> <p>(9) state the name and telephone number of the standing contact person of the meeting;</p> <p>(10) in the event that a shareholders' general meeting is held online or through other means, the designated time and procedure for voting through internet or other means shall be expressly stated in the notice of such meeting, the interval between the shareholding record date of a shareholders' general meeting and the date of the meeting shall not be more than seven business days. The shareholding record date shall not be changed once confirmed. The notice of the shareholders' general meeting and its supplementary notice shall fully and completely disclose the specific contents of all proposals and all information or explanation necessary for shareholders to make reasonable judgments on the matters proposed to be discussed by shareholders. For those items proposed for discussion requiring the opinions of independent directors, both the opinions and reasons of independent directors shall be disclosed in the notice of the shareholders' general meeting or the supplementary notice.</p> <p>Article 16 Unless otherwise stipulated by the Articles of Association and the Rules, the notice of a shareholders' general meeting shall be sent to shareholders (regardless of whether they are entitled to vote at the shareholders' general meeting) by personal delivery or by prepaid mail. The addresses of the recipients shall be such addresses as shown in the register of shareholders. For the shareholders of domestic shares, the notice of the shareholders' general meeting may also be given by way of announcement.</p>	<p>(8) specify the record date for determining the shareholders who are entitled to attend the shareholders' general meeting;</p> <p>(9) state the name and telephone number of the standing contact person of the meeting;</p> <p>(10) in the event that a shareholders' general meeting is held online or through other means, the designated time and procedure for voting through internet or other means shall be expressly stated in the notice of such meeting, the interval between the shareholding record date of a shareholders' general meeting and the date of the meeting shall not be more than seven business days. The shareholding record date shall not be changed once confirmed. The notice of the shareholders' general meeting and its supplementary notice shall fully and completely disclose the specific contents of all proposals and all information or explanation necessary for shareholders to make reasonable judgments on the matters proposed to be discussed by shareholders. For those items proposed for discussion requiring the opinions of independent directors, both the opinions and reasons of independent directors shall be disclosed in the notice of the shareholders' general meeting or the supplementary notice.</p> <p>Article 81 Unless otherwise stipulated by the articles of association, the notice of a shareholders' general meeting shall be sent to shareholders (regardless of whether they are entitled to vote at the shareholders' general meeting) by personal delivery or by prepaid mail. The addresses of the recipients shall be such addresses as shown in the register of shareholders. For the shareholders of domestic shares, the notice of the shareholders' general meeting may also be given by way of announcement.</p>

Before the amendments	After the amendments	Basis of the amendments
	<p>The announcement referred to in the preceding paragraph shall be published in one or more newspapers designated by the securities regulatory authorities under the State Council 45 to 50 days prior to the convening of the meeting. Once such an announcement is made, all shareholders of the domestic shares shall be deemed to have received the relevant notice of the shareholders' general meeting. The notices of the shareholders' general meeting shall be delivered to the shareholders of overseas listed foreign shares in any of the following manners, 45 days prior to the said meeting:</p> <p>(1) deliver to every shareholder of overseas listed foreign shares by personal delivery or by postal mail in accordance with the addresses of every shareholder of overseas listed foreign shares. The notice for shareholders of H shares should be sent at Hong Kong to the best effort of the Company;</p> <p>(2) publish on the website of the Company or on the website designated by the stock exchanges where shares of the Company are listed in accordance with applicable laws, administrative regulations and relevant listing rules;</p> <p>(3) deliver pursuant to other requirements by the stock exchanges where shares of the Company are listed or by listing rules.</p> <p>Article 17 If a notice of meeting is accidentally omitted to be sent to any person who is entitled to receive the same or that person has not received such a notice of meeting, it will not cause the meeting and any resolution made thereat to be void.</p>	<p>The announcement referred to in the preceding paragraph shall be published in one or more newspapers designated by the securities regulatory authorities under the State Council 45 to 50 days prior to the convening of the meeting. Once such an announcement is made, all shareholders of the domestic shares shall be deemed to have received the relevant notice of the shareholders' general meeting.</p> <p>The notices of the shareholders' general meeting shall be delivered to the shareholders of overseas listed foreign shares in any of the following manners, 45 days prior to the said meeting:</p> <p>(1) deliver to every shareholder of overseas listed foreign shares by personal delivery or by postal mail in accordance with the addresses of every shareholder of overseas listed foreign shares. The notice for shareholders of H shares should be sent at Hong Kong to the best effort of the company;</p> <p>(2) publish on the website of the company or on the website designated by the stock exchanges where shares of the company are listed in accordance with applicable laws, administrative regulations and relevant listing rules;</p> <p>(3) deliver pursuant to other requirements by the stock exchanges where shares of the company are listed or by listing rules.</p> <p>Article 82 If a notice of meeting is accidentally omitted to be sent to any person who is entitled to receive the same or that person has not received such a notice of meeting, it will not cause the meeting and any resolution made thereat to be void.</p>

Before the amendments	After the amendments	Basis of the amendments
<p>Article 14 After the notice of the shareholders' general meeting is issued, the shareholders' general meeting shall not be postponed or cancelled, and the proposals set out in such notice shall not be cancelled without valid reasons. Where a shareholders' general meeting has to be postponed or cancelled, the convener shall state the relevant reasons at least two business days before the original date of the shareholders' general meeting.</p> <p>Where the Company postpones holding the general meeting, it shall not change the shareholding record date for the shareholders who are entitled to attend the general meeting according to the original notice.</p>	<p>Article 18 After the notice of the shareholders' general meeting is issued, the shareholders' general meeting shall not be postponed or cancelled, and the proposals set out in such notice shall not be cancelled without valid reasons. Where a shareholders' general meeting has to be postponed or cancelled, the convener shall state the relevant reasons at least two trading days before the original date of the shareholders' general meeting. Where the Company postpones holding a general meeting, the postponed date of the general meeting shall be contained in the notice issued by the Company.</p>	<p>Article 8.2.3 of the Rules Governing the Listing of Securities on the Shenzhen Stock Exchange After the notice of the shareholders' general meeting of a listed company is issued, the shareholders' general meeting shall not be postponed or cancelled, and the proposals set out in such notice shall not be cancelled without valid reasons. Where a shareholders' general meeting has to be postponed or cancelled, the convener shall state the relevant reasons at least two trading days before the original date of the shareholders' general meeting. Where the Company postpones holding a general meeting, the postponed date of the general meeting shall be contained in the notice issued by the Company.</p>
<p>Article 19 A notice of a general meeting should specify the time, the venue and the record date of the meeting.</p>	<p>This Article has been deleted</p>	<p>Reasons for the amendments The deleted part has been incorporated into Article 15 of the Rules.</p>

Before the amendments	After the amendments	Basis of the amendments
<p>Article 20 Where the election of directors and Supervisors are scheduled to be discussed at a shareholders' general meeting, the notice of the shareholders' general meeting shall sufficiently disclose the particulars about the director and supervisor candidate(s), including at least the following contents:</p> <ol style="list-style-type: none"> (1) personal information including education background, work experience and part-time job; (2) whether he/she has any connected relationships with the listed company or its controlling shareholders and de facto controller; (3) disclose the number of shares he/she held in the listed company; (4) whether he/she has received any punishment from the CSRC and other relevant authorities and any penalty and warning from stock exchanges. <p>Except the election of directors and supervisors by means of cumulative voting, election of every Director and Supervisor candidate shall be conducted by separate resolution.</p>	<p>Article 23 Where the election of directors and Supervisors are scheduled to be discussed at a shareholders' general meeting, the notice of the shareholders' general meeting shall sufficiently disclose the particulars about the director and supervisor candidate(s), including at least the following contents:</p> <ol style="list-style-type: none"> (1) personal information including education background, work experience and part-time job; (2) whether he/she has any connected relationships with the Company or its controlling shareholders and de facto controller; (3) disclose the number of shares he/she held in the listed company; (4) whether he/she has received any punishment from the CSRC and other relevant authorities and any penalty and warning from stock exchanges; (5) particulars in relation to the new appointment or re-designation of directors or supervisors are required to be disclosable pursuant to the Hong Kong Listing Rules. <p>The director and supervisor candidate(s) shall make written undertaking by way of announcement at the shareholders' general meeting that he or she agrees to accept the nomination and that the publicly disclosed particulars on candidate(s) is true, accurate and complete, and guarantee that he or she shall properly discharge the duties and responsibilities as a director or a supervisor after election.</p> <p>Except the election of directors and Supervisors by means of cumulative voting, election of every Director and Supervisor candidate shall be conducted by separate resolution.</p>	<p>Article 83 of the Articles of Association Where the election of directors and supervisors are scheduled to be discussed at a shareholders' general meeting, the notice of the shareholders' general meeting shall sufficiently disclose the detailed information about the director and supervisor candidate(s), including at least the following particulars:</p> <ol style="list-style-type: none"> (1) personal information including education background, work experience and part-time job; (2) whether he/she has any connected relationships with the company or its controlling shareholders and de facto controller; (3) disclose the number of shares he/she held in the listed company; (4) whether he/she has received any punishment from the CSRC and other relevant authorities and any penalty and warning from stock exchanges; (5) particulars in relation to the new appointment or re-designation of directors or supervisors are required to be disclosable pursuant to the Hong Kong Listing Rules. <p>Except the election of directors and supervisors by means of cumulative voting, election of every director and supervisor candidate shall be conducted by separate resolution.</p> <p>Article 19 of the Governance Rules of Listed Companies A listed company shall disclose the detailed information of director candidate(s) before the convening of a shareholders' general meeting so that shareholders can have enough understanding of the candidates.</p> <p>The director candidate(s) shall make written undertaking by way of announcement at the shareholders' general meeting that he or she agrees to accept the nomination and that the publicly disclosed particulars on candidate(s) is true, accurate and complete, and guarantee that he or she shall properly discharge the duties and responsibilities as a director after election.</p> <p>Article 44 The procedures for election of supervisors, the formulation of the rules of procedures of Supervisory Committee and the meetings of Supervisory Committee shall be implemented according to the relevant requirements for directors and the board of directors. The employee supervisors shall be elected by laws and regulations.</p>

Before the amendments	After the amendments	Basis of the amendments
<p>Article 30 The general meeting shall be held at the domicile of the Company or the address specified by the Articles of Association. A venue shall be arranged for the general meeting, which will be held in the form of physical meeting.</p> <p>Listed companies may also provide expediency to the shareholders attending the general meeting by adopting other safe, economic and expedient means, such as correspondence meeting. Shareholders attending the meeting by way of the above methods shall be deemed as to have attended the meeting.</p>	<p>Article 33 The general meeting shall be held at the domicile of the Company or the address specified by the Articles of Association. A venue shall be arranged for the general meeting, which will be held in the form of physical meeting, and the Company shall provide expediency to the shareholders attending the general meeting by adopting other safe, economic and expedient means, such as correspondence meeting. Shareholders attending the meeting by way of the above methods shall be deemed as to have attended the meeting.</p>	<p>Article 20 of the Rules of Shareholders' General Meetings of Listed Companies A general meeting of a company shall be held at the domicile of the company or the address specified by the articles of association.</p> <p>A venue shall be arranged for the general meeting, which will be held in the form of physical meeting, and the company shall provide expediency to the shareholders attending the general meeting by adopting other safe, economic and expedient means, such as correspondence meeting, in accordance with laws, administrative rules, and the requirements of the CSRC or the articles of association. Shareholders attending the meeting by way of the above methods shall be deemed as to have attended the meeting.</p> <p>Shareholders may attend the general meeting in person and exercise his or her voting rights and may also appoint others to attend the meeting on his or her behalf and exercise the voting rights to the extent of authority.</p>

Before the amendments	After the amendments	Basis of the amendments
<p>Article 34 All shareholders or their proxies whose names appeared in the register of shareholders the Company at the record date are entitled to attend the general meeting. The Company and the convener shall not reject for any reason.</p>	<p>Article 37 All shareholders or their proxies whose names appeared in the register of shareholders the Company at the record date are entitled to attend the general meeting. The Company and the convener shall not reject for any reason.</p> <p>Preference shareholders shall not attend the shareholders' general meeting and the shares they hold do not have voting rights. On the occurrence of any of the following matters, the Company shall notify preference shareholders of the shareholders' general meeting and follow the notice procedures to ordinary shareholders as provided under the Company Law and the articles of association.</p> <p>When the preference shareholders attend the shareholders' general meeting, they are entitled to vote at a separate class meeting and each preference share shall have one vote (preference shares held by the Company does not entitle the company to vote):</p> <p>(1) amendments to the articles of association that relate to preference shares;</p> <p>(2) reduction of the registered capital of the Company by more than ten percent (10%) on a single or aggregate basis;</p> <p>(3) merger, division, dissolution or change of corporate form of the Company;</p> <p>(4) issuance of preference shares by the Company; and</p> <p>(5) other circumstances specified in the articles of association.</p> <p>Resolutions relating to the above matters shall be approved by more than two thirds of the votes held by ordinary shareholders present at the meeting (including preference shareholders with restored voting rights) and by more than two thirds of the votes held by preference shareholders present at the meeting (excluding preference shareholders with restored voting rights).</p>	<p>Article 23 of the Rules of Shareholders' General Meetings of Listed Companies All ordinary shareholders (including preference shareholders with restored voting rights) or their proxies whose names appeared in the register of shareholders the company at the record date are entitled to attend the general meeting. The company and the convener shall not reject for any reason.</p> <p>A company's preference shareholders shall not attend the shareholders' general meeting and the shares they hold do not have voting rights. On the occurrence of any of the following matters, the company shall notify preference shareholders of the shareholders' general meeting and follow the notice procedures to ordinary shareholders as provided under the Company Law and the articles of association.</p> <p>When the preference shareholders attend the shareholders' general meeting, they are entitled to vote at a separate class meeting and each preference share shall have one vote (preference shares held by the company does not entitle the company to vote):</p> <p>(1) amendments to the articles of association that relate to preference shares;</p> <p>(2) reduction of the registered capital of the company by more than ten percent (10%) on a single or aggregate basis;</p> <p>(3) merger, division, dissolution or change of corporate form of the company;</p> <p>(4) issuance of preference shares by the company; and</p> <p>(5) other circumstances specified in the articles of association.</p> <p>Resolutions relating to the above matters shall be approved by more than two thirds of the votes held by ordinary shareholders present at the meeting (including preference shareholders with restored voting rights) and by more than two thirds of the votes held by preference shareholders present at the meeting (excluding preference shareholders with restored voting rights).</p>

Before the amendments	After the amendments	Basis of the amendments
<p>Article 35 A shareholder may attend the shareholders' general meeting in person or appoint as proxy(ies) to attend and vote at the meeting on his behalf.</p> <p>The shareholders shall entrust his proxy(ies) by an instrument in writing, and such instrument shall be signed by the principal or by his proxy duly entrusted in writing; in the event that the principal is a legal person, the corporate seal of the legal person shall also be chopped or signed by its duly appointed proxy(ies).</p>	<p>Article 38 A shareholder may attend the shareholders' general meeting in person or appoint as proxy(ies) to attend and vote at the meeting on his behalf.</p> <p>The shareholders shall entrust his proxy(ies) by an instrument in writing, and such instrument shall be signed by the principal or by his proxy duly entrusted in writing; in the event that the principal is a legal person, the corporate seal of the legal person shall also be chopped or signed by its legal representative or its duly appointed proxy(ies).</p>	<p>Article 87 of the Articles of Association</p> <p>The shareholders shall entrust his proxy(ies) by an instrument in writing, and such instrument shall be signed by the principal or by his proxy duly entrusted in writing; in the event that the principal is a legal person or other authority, the corporate seal of the legal person shall also be chopped or signed by its legal representative or its duly appointed proxy(ies).</p> <p>-----</p>

Before the amendments	After the amendments	Basis of the amendments
<p>Article 36 Individual shareholders attending a shareholders' general meeting in person shall produce their identity cards or other valid proof or evidence of their identities and proof of ownership; in the case of attendance by proxies, the proxies shall produce valid proof of their identities or other valid proof or evidence of their identities, the power of attorneys and proof of ownership.</p> <p>Where a shareholder is a legal person, its legal representative, the proxy entrusted by such legal representative or a person authorized by it board or directors or other decision-making bodies shall attend a shareholders' general meeting. In case of attendance by legal representatives, they shall produce their identity cards and valid proof of their capacities as legal representatives and proof of ownership; in the case of attendance by proxies, such proxies shall produce their identity cards and the power of attorneys and the proof the ownership issued by the legal representative of such legal person by law.</p>	<p>Article 39 Individual shareholders attending a shareholders' general meeting in person shall produce their identity cards or other valid proof or evidence of their identities and proof of ownership; in the case of attendance by proxies, the proxies shall produce valid proof of their identities or other valid proof or evidence of their identities, the power of attorneys and proof of ownership.</p> <p>Where a shareholder is a legal person, its legal representative, the proxy entrusted by such legal representative or a person authorized by it board or directors or other decision-making bodies shall attend a shareholders' general meeting. In case of attendance by legal representatives, they shall produce their identity cards and valid proof of their capacities as legal representatives and proof of ownership; in the case of attendance by proxies, such proxies shall produce their identity cards and the power of attorneys and the proof the ownership issued by the legal representative of such legal person by law.</p> <p>In the event that the shareholder is a recognized clearing house at the place where shares of the Company are listed or its agent, such shareholder is entitled to appoint one or more persons it deems suitable to act as its proxy(ies) at any shareholders' general meeting or shareholders' class meeting. However, in the event that two or more persons are appointed as representatives, the powers of attorney shall specify the number and the class of shares as represented by each of the said persons, and such powers of attorney shall be executed by the persons authorized by such a recognized clearing house. The persons so authorized may represent the recognized clearing house (or its agent) to attend the meetings and exercise their rights (without being required to present share certificate, certified statement of proxy and/or further evidence of due authorization), as if such persons are individual shareholders of the company.</p>	<p>Article 87 of the Articles of Association</p> <p>The shareholders shall entrust his proxy(ies) by an instrument in writing, and such instrument shall be signed by the principal or by his proxy duly entrusted in writing; in the event that the principal is a legal person or other authority, the corporate seal of the legal person shall also be chopped or signed by its legal representative or its duly appointed proxy(ies).</p> <p>Individual shareholders attending a shareholders' general meeting in person shall produce their identity cards or other valid proof or evidence of their identities or stock account cards; in the case of attendance by proxies, the proxies shall produce valid proof of their identities and the power of attorneys from shareholders.</p> <p>Where a shareholder is a legal person, its legal representative or the proxy entrusted by such legal representative shall attend a shareholders' general meeting. In case of attendance by legal representatives, they shall produce their identity cards and valid proof of their capacities as legal representatives; in the case of attendance by proxies, such proxies shall produce their the power of attorneys issued by the legal representative of such legal person by law.</p> <p>In the event that the shareholder is a recognized clearing house at the place where shares of the company are listed or its agent, such shareholder is entitled to appoint one or more persons it deems suitable to act as its proxy(ies) at any shareholders' general meeting or shareholders' class meeting. However, in the event that two or more persons are appointed as representatives, the powers of attorney shall specify the number and the class of shares as represented by each of the said persons, and such powers of attorney shall be executed by the persons authorized by such a recognized clearing house. The persons so authorized may represent the recognized clearing house (or its agent) to attend the meetings and exercise their rights (without being required to present share certificate, certified statement of proxy and/or further evidence of due authorization), as if such persons are individual shareholders of the company.</p>

Before the amendments	After the amendments	Basis of the amendments
<p>Article 38 The power of attorney for voting shall be placed at the domicile of the Company or such other place as specified in the notice of meeting at least 24 hours prior to the meeting. Where such a power of attorney for voting is signed by a person authorized by the principal, the power of attorney for authorized signature or other authorization documents shall be notarized. Such power of attorney or other authorization documents upon notarized shall, together with the power of attorney for voting, be placed at the domicile of the Company or such other location as specified in the notice of the meeting.</p> <p>Where the principal is a legal person, its legal representative or a person authorized by its board or other decision-making body shall attend the shareholders' general meeting of the Company.</p>	<p>Article 41 The power of attorney for voting shall be placed at the domicile of the Company or such other place as specified in the notice of meeting at least 24 hours prior to the meeting. Where such a power of attorney for voting is signed by a person authorized by the principal, the power of attorney for authorized signature or other authorization documents shall be notarized. Such power of attorney or other authorization documents upon notarized shall, together with the power of attorney for voting, be placed at the domicile of the Company or such other location as specified in the notice of the meeting.</p> <p>Where the principal is a legal person, its legal representative or a person authorized by its board or other decision-making body shall attend the shareholders' general meeting of the Company.</p> <p>A vote given in accordance with the terms of the power of attorney shall be valid notwithstanding the previous death or loss of capacity of the principal or revocation of the power of attorney or of the authority under which the proxy was executed, or the transfer of the share(s) in respect of which the proxy is given, provided that no written notice of such death, loss of capacity, revocation or transfer has been received by the company before the commencement of the meeting at which the proxy is issued.</p>	<p>Article 90 of the Articles of Association</p> <p>A vote given in accordance with the terms of the power of attorney shall be valid notwithstanding the previous death or loss of capacity of the principal or revocation of the power of attorney or of the authority under which the proxy was executed, or the transfer of the share(s) in respect of which the proxy is given, provided that no written notice of such death, loss of capacity, revocation or transfer has been received by the company before the commencement of the meeting at which the proxy is issued.</p>
<p>Due to the addition of this Article, the serial numbers of the original rules shall be ascended in order.</p>	<p>Article 42 The Company shall be responsible for preparing the attendance record of the meeting. The attendance record of the meeting shall contain the names of the attendees (or the names of the entities), ID numbers, domicile addresses, the amount of shares held or represented by their voting shares, the names of the proxy(ies) (or the names of the entities) and etc.</p>	<p>Article 92 of the Article of Association The Company shall be responsible for preparing the attendance record of the meeting. The attendance record of the meeting shall contain the names of the attendees (or the names of the entities), ID numbers, domicile addresses, the amount of shares held or represented by their voting shares, the names of the proxy(ies) (or the names of the entities) and etc.</p>

Before the amendments	After the amendments	Basis of the amendments
<p>Article 41 The shareholders' general meeting is convened by the chairman of the board of directors. In the event that the chairman of the board of directors is unable to or fails to fulfill the duty thereof, the vice chairman shall act as the chairman of the meeting and preside over the meeting. In the event that even the vice chairman is unable to or fails to fulfill the duty thereof, the majority of the directors shall jointly elect a Director to act as the chairman of the meeting and preside over the meeting.</p>	<p>Article 45 The shareholders' general meeting is convened by the chairman of the board of directors. In the event that the chairman of the board of directors is unable to or fails to fulfill the duty thereof, the vice chairman shall act as the chairman of the meeting and preside over the meeting. In the event that even the vice chairman is unable to or fails to fulfill the duty thereof, the majority of the directors shall jointly elect a Director to act as the chairman of the meeting and preside over the meeting.</p> <p>If the board of directors fails or is unwilling to convene a general shareholders' meeting, the Supervisory Committee shall promptly convene and preside over such meeting; if the Supervisory Committee fails or is unwilling to convene or preside over such meeting, the shareholders holding 10% or more of the shares in the Company individually or in aggregate for more than consecutive 90 days may convene and preside over such meeting by themselves. If, for any reasons, the shareholders fail to select a chairman of the meeting, the shareholder (including the shareholder proxy) who attends the meeting and holds the most of the voting rights shall act as the chairman of the meeting to conduct such meeting.</p>	<p>Article 95 of the Article of Association Where the shareholders' general meeting is convened by the board of directors, the shareholders' general meeting is convened by the chairman of the board of directors. In the event that the chairman of the board of directors is unable to or fails to fulfill the duty thereof, the vice chairman shall act as the chairman of the meeting and preside over the meeting. In the event that even the vice chairman is unable to or fails to fulfill the duty thereof, the majority of the directors shall jointly elect a Director to act as the chairman of the meeting and preside over the meeting. If the board of directors fails or is unwilling to convene a general shareholders' meeting, the Supervisory Committee shall promptly convene and preside over such meeting; if the Supervisory Committee fails or is unwilling to convene or preside over such meeting, the shareholders holding 10% or more of the shares in the Company individually or in aggregate for more than consecutive 90 days may convene and preside over such meeting by themselves. If, for any reasons, the shareholders fail to select a chairman of the meeting, the shareholder (including the shareholder proxy) who attends the meeting and holds the most of the voting rights shall act as the chairman of the meeting to conduct such meeting.</p>
<p>Article 43 The directors, supervisors and senior management shall answer such queries or suggestions raised by shareholders in the general meeting.</p>	<p>Article 47 The directors, supervisors and senior management shall answer such queries or suggestions raised by shareholders in the general meeting unless those relates to the Company's business secret and shall not be disclosed at the general meeting.</p>	<p>Article 98 of the Articles of Association The board of directors, Supervisors and senior management shall answer such queries or suggestions raised by shareholders in the general meeting unless those relates to the Company's business secret and shall not be disclosed at the general meeting.</p>

Before the amendments	After the amendments	Basis of the amendments
<p>Article 52 When a connected transaction is considered at a general meeting, shareholders related to the connected transaction shall abstain from voting, and the voting shares held by them shall not be counted in the total number of shares with voting rights.</p> <p>When a connected transaction is considered at a general meeting, the relevant State laws and rules and the listing rules of the Shanghai Stock Exchange and the Stock Exchange shall be complied with, and a shareholder related to the connected transaction (including his or her proxy) may attend the shareholders' general meeting and express his or her opinions to shareholders presented in accordance with the rules of procedures of the meeting, but shall be abstained from voting. When the shareholders' general meeting considers significant matters that could affect the interests of medium and small investors, the votes by medium and small investors shall be counted separately, and the results of such separate vote counting shall be disclosed promptly.</p> <p>Shares held by the Company do not carry any voting rights and shall not be counted in the total number of voting shares represented by shareholders present at a shareholders' general meeting.</p> <p>The soliciting of voting rights can be carried out by the board of directors, independent directors, and shareholders who satisfy relevant requirements. Information including the specific voting preference shall be fully provided to the shareholders for whom voting rights are being solicited. Consideration or de facto consideration for soliciting shareholders' voting rights is prohibited. The Company shall not impose any minimum shareholding limitation for soliciting voting rights.</p>	<p>Article 56 When a connected transaction is considered at a general meeting, shareholders related to the connected transaction shall abstain from voting, and the voting shares held by them shall not be counted in the total number of shares with voting rights. The announcement on the resolutions of the shareholders' general meeting shall fully disclose the voting of the shareholders who are not connected parties.</p> <p>When a connected transaction is considered at a general meeting, the notice of convening the general meeting shall indicate the same specifically, the relevant State laws and rules and the listing rules of the Shanghai Stock Exchange and the Stock Exchange shall be complied with, a shareholder related to the connected transaction (including his or her proxy) may attend the shareholders' general meeting and express his or her opinions to shareholders presented in accordance with the rules of procedures of the meeting, but shall be abstained from voting and shall not vote on the relevant connected transaction and shall not be counted in the total number of voting shares represented by shareholders.</p> <p>When the shareholders' general meeting considers significant matters that could affect the interests of medium and small investors, the votes by medium and small investors shall be counted separately, and the results of such separate vote counting shall be disclosed promptly.</p> <p>Shares held by the Company do not carry any voting rights and shall not be counted in the total number of voting shares represented by shareholders present at a shareholders' general meeting.</p> <p>The soliciting of voting rights can be carried out by the board of directors, independent directors, and shareholders who satisfy relevant requirements. Information including the specific voting preference shall be fully provided to the shareholders for whom voting rights are being solicited. Consideration or de facto consideration for soliciting shareholders' voting rights is prohibited. The Company shall not impose any minimum shareholding limitation for soliciting voting rights.</p>	<p>Article 107 of the Articles of Association When a connected transaction is subject to the approval of the shareholders' general meeting, the connected shareholders of the Company shall abstain from voting; any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted. The announcement relating to the poll results of the shareholders' general meeting shall fully disclose the poll results of the non-connected shareholders. The announcement on the resolutions of the shareholders' general meeting shall fully disclose the voting of the shareholders who are not connected parties.</p> <p>When a connected transaction is considered at a general meeting, the notice of convening the general meeting shall indicate that the connected shareholders shall avoid voting on the connected transaction in accordance with the Articles of Association, shall not vote on the relevant connected transaction, shall not be counted in the total number of voting shares represented by shareholders.</p> <p>The Company established the Management Systems of Connected Transaction in accordance with the requirements of relevant institutions, including CSRC and stock exchanges. The Company will disclose and consider the connected transaction in accordance with The Management Systems of Connected Transaction.</p> <p>Any shareholder is abstained to vote or is restricted to vote only "For" or only "Against" on any resolution, the vote will not be counted if this shareholder or its proxy violates the referred requirements or restriction.</p>

Before the amendments	After the amendments	Basis of the amendments
<p>Article 53 In addition to the cumulative voting system, the general meeting shall resolve on all the proposals separately; in the event of several proposals for the same issue, such proposals shall be voted on and resolved in the order of time at which they are submitted. Unless the general meeting is adjourned or no resolution can be made for special reasons such as force majeure, voting of such proposals shall neither be shelved nor refused at the general meeting.</p>	<p>Article 57 In addition to the cumulative voting system, the general meeting shall resolve on all the proposals separately; in the event of several proposals for the same issue, such proposals shall be voted on and resolved in the order of time at which they are submitted. Unless the general meeting is adjourned or no resolution can be made for special reasons such as force majeure, voting of such proposals shall neither be shelved nor refused at the general meeting.</p> <p>In the consideration of the proposal on issue of preference shares, the shareholders general meeting shall vote on the following matters one by one:</p> <p>(1) type and number of preference shares to be issued;</p> <p>(2) issue mode, objects and placing arrangements for existing shareholders;</p> <p>(3) par value, issue price or pricing range and its determination principle;</p> <p>(4) profit distribution methods for preference shareholders, including: dividend yield and its determination principle, dividend payment conditions, dividend payment methods, whether dividends are accumulated, and whether participation in the distribution of surplus profit is allowed;</p> <p>(5) terms and conditions of repurchase, including repurchase conditions, period, price and its determination principle, and subject of exercising repurchase option (if any) ;</p> <p>(6) use of proceeds:</p>	<p>Article 33 of the Rules of Procedures of the Shareholders' General Meetings of Listed Companies In addition to the cumulative voting system, the general meeting shall resolve on all the proposals separately; in the event of several proposals for the same issue, such proposals shall be voted on and resolved in the order of time at which they are submitted. Unless the general meeting is adjourned or no resolution can be made for special reasons such as force majeure, voting of such proposals shall neither be shelved nor refused at the general meeting.</p> <p>In the consideration of the proposal on issue of preference shares, the shareholders general meeting shall vote on the following matters one by one:</p> <p>(1) type and number of preference shares to be issued;</p> <p>(2) issue mode, objects and placing arrangements for existing shareholders;</p> <p>(3) par value, issue price or pricing range and its determination principle;</p> <p>(4) profit distribution methods for preference shareholders, including: dividend yield and its determination principle, dividend payment conditions, dividend payment methods, whether dividends are accumulated, and whether participation in the distribution of surplus profit is allowed;</p> <p>(5) terms and conditions of repurchase, including repurchase conditions, period, price and its determination principle, and subject of exercising repurchase option (if any) ;</p> <p>(6) use of proceeds:</p>

Before the amendments	After the amendments	Basis of the amendments
	<p>(7) conditional share subscription agreements signed between the Company and corresponding objects to which shares are issued;</p> <p>(8) validity period of resolution;</p> <p>(9) plan on amendments to relevant provisions of the Company's Articles of Association on profit distribution policy for shareholders of preference/ordinary shares;</p> <p>(10) authorization to the board of directors on handling specific matters concerning the issue of shares;</p> <p>(11) other matters.</p>	<p>(7) conditional share subscription agreements signed between the company and corresponding objects to which shares are issued;</p> <p>(8) validity period of resolution;</p> <p>(9) plan on amendments to relevant provisions of the company's articles of association on profit distribution policy for shareholders of preference/ordinary shares;</p> <p>(10) authorization to the board of directors on handling specific matters concerning the issue of shares;</p> <p>(11) other matters.</p>
<p>Article 58 When a voting is made on election of directors or Supervisors at a shareholder's general meeting, the cumulative voting system may be adopted. The cumulative voting system means that when directors or Supervisors are elected at a shareholders' general meeting, each share shall carry the same number of voting right as the number of directors or Supervisors to be elected, and the voting rights owned by shareholders may be cumulatively used.</p>	<p>Article 62 When a voting is made on election of directors or Supervisors at a shareholder's general meeting, the cumulative voting system may be adopted. In respect of the election of directors or Supervisors, the cumulative voting system shall be adopted when the largest shareholder and the persons acting in concert holds 30% of the total shares of the Company.</p> <p>In respect of the election of more than two directors or supervisors, the cumulative voting system shall be adopted.</p> <p>Where a director is elected at a shareholders' general meeting by way of the cumulative voting system, the voting on election of independent directors and non-independent directors shall be made separately.</p> <p>The cumulative voting system means that when directors or Supervisors are elected at a shareholders' general meeting, each share shall carry the same number of voting right as the number of directors or Supervisors to be elected, and the voting rights owned by shareholders may be cumulatively used.</p>	<p>Article 17 of the Governance Standards for Listed Companies The election of directors and supervisors shall fully reflect opinions of minority shareholders. The cumulative voting system shall be implemented for voting on the election of directors and supervisors at a shareholders' general meeting. For listed companies whose sole shareholders and their persons acting in concert own 30% and above of the shares, the cumulative voting system shall be adopted. Listed companies adopting the cumulative voting system shall specify the details of implementation in the articles of association.</p> <p>Article 2.2.11 of the "Guidelines for the Standardized Operation of Companies Listed on the Small and Medium-sized Enterprise Board of Shenzhen Stock Exchange" A listed company shall specify in its articles of association that the cumulative voting system shall be adopted when two or more directors or supervisors are elected. The Stock Exchange encourages that the competitive election method shall be adopted for the cumulative voting system for the election of directors and supervisors, and encourages companies to specify in their articles of association that shareholders solely or in aggregate holding more than 1% of shares in the companies may elect candidates for directors and supervisors before the convening of the shareholders' general meetings.</p> <p>Where a director is elected at a shareholders' general meeting by way of the cumulative voting system, the voting on election of independent directors and non-independent directors shall be made separately.</p>

Before the amendments	After the amendments	Basis of the amendments
<p>Article 67 The following matters shall be resolved by way of ordinary resolutions at a general meeting:</p> <p>(1) work reports of the Board and the supervisory committee;</p> <p>(2) profit distribution plan and loss make-up plan formulated by the Board;</p> <p>(3) appointment or dismissal of the members of the Board and supervisory committee, remuneration and payment methods thereof;</p> <p>(4) annual financial budgets and final accounting plans of the Company;</p> <p>(5) the annual report of the Company;</p> <p>(6) matters other than those requiring approval by special resolutions in accordance with the laws, administrative regulations or the Articles of Association.</p>	<p>Article 71 The following matters shall be resolved by way of ordinary resolutions at a general meeting:</p> <p>(1) work reports of the Board and the supervisory committee;</p> <p>(2) profit distribution plan and loss make-up plan formulated by the Board;</p> <p>(3) appointment or dismissal of the members of the Board and supervisory committee, remuneration and payment methods thereof;</p> <p>(4) annual preliminary and final budgets, balance sheet, income statement and other financial statements of the Company;</p> <p>(5) the annual report of the Company;</p> <p>(6) matters other than those requiring approval by special resolutions in accordance with the laws, administrative regulations or the Articles of Association.</p>	<p>Article 104 of the Articles of Association The following matters shall be resolved by way of ordinary resolutions at a general meeting:</p> <p>(1) work reports of the Board and the supervisory committee;</p> <p>(2) profit distribution plan and loss make-up plan formulated by the Board;</p> <p>(3) appointment or dismissal of the members of the Board and supervisory committee, remuneration and payment methods thereof;</p> <p>(4) annual preliminary and final budgets, balance sheet, income statement and other financial statements of the Company;</p> <p>(5) the annual report of the Company;</p> <p>(6) matters other than those requiring approval by special resolutions in accordance with the laws, administrative regulations or the Articles of Association.</p>

Before the amendments	After the amendments	Basis of the amendments
<p>Article 68 The following matters shall be resolved by way of special resolutions at a general meeting:</p> <p>(1) increase or reduction of the registered capital of the Company;</p> <p>(2) demerger, merger, dissolution or winding up of the Company;</p> <p>(3) Amendments to the Articles of Association;</p> <p>(4) any purchase or disposal of substantial assets made or guarantee provided by the Company within one year, the amount of which exceeds 30% of the total assets as presented in the latest audited consolidated financial statements of the Company;</p> <p>(5) share option incentive scheme;</p> <p>(6) any other matters as required by the laws, administrative regulations or the Articles of Association of the Company and matters which, if resolved by way of an ordinary resolution at a general meeting, will have a material impact on the Company and need to be adopted by way of special resolutions.</p>	<p>Article 72 The following matters shall be resolved by way of special resolutions at a general meeting:</p> <p>(1) increase or reduction of the registered capital of the Company;</p> <p>(2) issue of shares of any class, stock warrants or other similar securities;</p> <p>(3) any variation or abrogation of the rights of any class of shareholders proposed by the Company;</p> <p>(4) demerger, merger, dissolution or winding up of the Company;</p> <p>(5) amendments to the Articles of Association;</p> <p>(6) any purchase or disposal of substantial assets made or guarantee provided by the Company within one year, the amount of which exceeds 30% of the total assets as presented in the latest audited consolidated financial statements of the Company;</p> <p>(7) share option incentive scheme;</p> <p>(8) issuance of corporate bonds;</p> <p>(9) any other matters as required by the laws, administrative regulations or the Articles of Association of the Company and matters which, if resolved by way of an ordinary resolution at a general meeting, will have a material impact on the Company and need to be adopted by way of special resolutions.</p>	<p>Article 105 of the Articles of Association The following matters shall be resolved by way of special resolutions at a general meeting:</p> <p>(1) increase or reduction of the registered capital of the Company;</p> <p>(2) issue of shares of any class, stock warrants or other similar securities;</p> <p>(3) any variation or abrogation of the rights of any class of shareholders proposed by the Company;</p> <p>(4) demerger, merger, dissolution or winding up of the Company;</p> <p>(5) amendments to the Articles of Association;</p> <p>(6) any purchase or disposal of substantial assets made or guarantee provided by the Company within one year, the amount of which exceeds 30% of the total assets as presented in the latest audited consolidated financial statements of the Company;</p> <p>(7) share option incentive scheme;</p> <p>(8) issuance of corporate bonds;</p> <p>(9) any other matters as required by the laws, administrative regulations or the Articles of Association of the Company and matters which, if resolved by way of an ordinary resolution at a general meeting, will have a material impact on the Company and need to be adopted by way of special resolutions.</p>
<p>Article 71 The directors, the secretary of the Board, the convener or representative thereof, and the chairman of the general meeting shall sign on the minutes of the meeting and ensure that the contents of the minutes are true, accurate and complete. The minutes of meeting shall be kept by the Secretary to the Board, together with the attendance record of the attending shareholders, the power of attorney of the proxies and the valid information of online voting and other means of voting, as the Company' files for a term of not less than 10 years.</p>	<p>Article 75 The directors, the secretary of the Board, the convener or representative thereof, and the chairman of the general meeting shall sign on the minutes of the meeting and ensure that the contents of the minutes are true, accurate and complete. The minutes of meeting shall be kept by the Secretary to the Board, together with the attendance record of the attending shareholders, the power of attorney of the proxies and the valid information of online voting and other means of voting, as the Company' files for a term of not less than 15 years.</p>	<p>Article 101 of the Article of Association The convener shall ensure that the contents of the minutes are true, accurate and complete.</p> <p>The directors, the secretary of the Board, the convener or representative thereof, and the chairman of the general meeting shall sign on the minutes of the meeting. The minutes of meeting shall be kept together with the attendance record of the attending shareholders, the power of attorney of the proxies and the valid information of online voting and other means of voting for a term of not less than 15 years.</p>

Before the amendments	After the amendments	Basis of the amendments
<p>Add one chapter after Chapter VI as Chapter VII, and the serial numbers of subsequent original chapters and terms shall be ascended in order.</p>	<p>Chapter VII Special Procedures for Voting by Classes of Shareholders</p> <p>Article 83 Shareholders holding different classes of shares shall be shareholders of different classes.</p> <p>Shareholders of different classes shall enjoy the rights and assume the obligations in accordance with the laws, administrative regulations and the Articles of Association.</p> <p>Apart from holders of other classes of shares, holders of domestic shares and overseas-listed foreign shares are deemed to be shareholders of different classes.</p> <p>Article 84 The Company shall not proceed to change or abrogate the shareholders' rights of a class of shares unless such proposed change or abrogation has been approved by way of a special resolution at a general meeting and by a separate shareholder meeting convened by the shareholders of the class of shares so affected in accordance with Articles 86 to 90.</p> <p>Article 85 The following circumstances shall be deemed as change or annulment of the rights of a certain class shareholder:</p> <p>(1) to increase or decrease the number of shares of such class, or to increase or decrease the number of shares of a class having voting rights, distribution rights or other privileges equal or superior to those of the shares of such class;</p> <p>(2) to change all or part of the shares of such class into shares of another class or to change all or part of the shares of another class into shares of that class or to grant relevant conversion rights to do so;</p>	<p>Section VII of Chapter IV of the Articles of Association Special Procedures for Voting by Classes of Shareholders</p>

Before the amendments	After the amendments	Basis of the amendments
	(3) to cancel or reduce rights to accrued dividends or cumulative dividends attached to shares of the said class;	
	(4) to reduce or cancel rights attached to the shares of the said class to preferentially receive dividends or distributions of assets in a liquidation of the Company;	
	(5) to add, cancel or reduce share conversion rights, options, voting rights, transfer rights, pre-emptive placing rights, or rights to acquire securities of the Company attached to the shares of the said class;	
	(6) to cancel or reduce rights to receive payments made by the Company in a particular currency attached to the shares of the said class;	
	(7) to create a new class of shares with voting rights, distribution rights or other privileges rights equal or superior to those of the shares of the said class;	
	(8) to restrict the transfer of ownership of the shares of the said class or to impose additional restrictions thereon;	
	(9) to issue rights to subscribe for, or to convert into, shares of the said class or another class;	
	(10) to increase the rights and privileges of the shares of another class;	

Before the amendments	After the amendments	Basis of the amendments
	<p>(11) to restructure the Company in such a way as to cause shareholders of different classes to bear liabilities disproportionately during the restructuring;</p> <p>(12) to amend or cancel provisions in the section.</p> <p>Article 86 Shareholders of the affected class, whether or not having the rights to vote at general meetings originally, shall have the right to vote at shareholders class meetings in respect of matters referred to in subparagraphs (2) to (8) and (11) to (12) in Article 85 hereof, except that interested shareholders shall not vote at such shareholders class meetings. The term “interested shareholders” in the preceding paragraph shall have the following meanings:</p> <p>(1) in case of a buyback of shares by the Company by way of a general offer to all shareholders in equal proportion or by way of open market transactions on a stock exchange in accordance with the Articles of Association, the controlling shareholders as defined in Article 301 of the Articles of Association shall be the “interested shareholders”;</p> <p>(2) in case of a buyback of shares by the Company by an over the counter agreement in accordance with the Articles of Association, holders of shares in relation to such agreement shall be the “interested shareholders”;</p>	

Before the amendments	After the amendments	Basis of the amendments
	<p>(3) in case of a proposed restructuring of the Company, shareholders who assume a relatively lower proportion of obligation than the obligations imposed on the other shareholders of that class or who have an interest in the proposed restructuring that is different from the general interests in such proposed restructuring of the other shareholders of that class shall be the “interested shareholders”.</p> <p>Article 87 Resolution of a shareholders class meeting shall be passed only by two-thirds or above of the total voting rights being held by the shareholders of that class, who are entitled to do so, present and vote at the shareholders class meeting in accordance with Article 86.</p> <p>Article 88 When the Company is to convene a shareholders class meeting, it shall issue a written notice 45 days prior to the date of such meeting informing all the shareholders who are registered as holders of that class in the register of shareholders of the matters to be considered at the meeting as well as the date and venue of the meeting. Shareholders who intend to attend the meeting shall deliver their written replies to the Company of their attendance 20 days prior to the date of the meeting.</p> <p>In the event that the number of the voting shares represented by the shareholders intending to attend the meeting is one half or above of the total number of voting shares of that class, the Company may convene a shareholders class meeting. Otherwise, the Company shall within five days notify the shareholders once again, by way of public announcement, of the matters to be considered at the meeting and the date and venue of the meeting. Upon notification by public announcement, the Company may then proceed to convene the shareholders class meeting.</p>	

Before the amendments	After the amendments	Basis of the amendments
	<p>Article 89 Notice of the shareholders class meeting shall be served only on the shareholders entitled to vote thereat. The shareholders class meeting shall be held according to the procedure, to the extent possible, as that applicable to a general meeting, unless otherwise specified in these Articles of Association, the provisions of the Articles of Association of the Company relevant to the procedure for the holding of a general meeting shall be applicable to a shareholders class meeting.</p> <p>Article 90 The special procedure for voting by class shareholders shall not apply under the following circumstances:</p> <p>(1) with the approval by a special resolution at a general meeting, the Company issues domestic shares and overseas listed foreign shares in a period of 12 months, either separately or concurrently, and the respective numbers of domestic shares and overseas listed foreign shares proposed to be issued do not exceed 20% of its respective numbers of each of the issued and outstanding domestic shares and overseas listed foreign shares;</p> <p>(2) the Company completes the issue of domestic shares and overseas listed foreign shares within 15 months from the date of approval pursuant to the plan approved upon its establishment by the securities regulatory authority under the State Council;</p> <p>(3) with approval of the securities regulatory authority under the State Council, the holders of domestic shares of the Company transfer their shares to overseas investors and list and trade the said shares on overseas stock exchanges.</p>	

Comparison table of amendments to the Rules of Procedures for the Board

Before the amendments	After the amendments	Basis of the amendments
<p>Article 1</p> <p>The rules of procedures are formulated in accordance with the Company Law of the People's Republic of China, the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (hereinafter referred to as Hong Kong Listing Rules) and Articles of Association of Lanzhou Zhuangyuan Pasture Co., Ltd. (hereinafter referred to as "Articles of Association") for the objectives of improving the management system of Lanzhou Zhuangyuan Pasture Co., Ltd. (hereinafter referred to as "the Company") and the corporate governance structure, regulating the organization and behavior of the Company's board of directors and ensuring its efficient operation and scientific decision-making.</p>	<p>Article 1</p> <p>The rules of procedures are formulated in accordance with the Company Law of the People's Republic of China, Rules Governing the Listing of Stocks on the Shenzhen Stock Exchange, Guidelines of the Shenzhen Stock Exchange for the Standard Operation of Listed Companies on the Small and Medium-sized Enterprise Board, Code of Corporate Governance for Listed Companies, the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (hereinafter referred to as Hong Kong Listing Rules) and Articles of Association of Lanzhou Zhuangyuan Pasture Co., Ltd. (hereinafter referred to as "Articles of Association") for the objectives of improving the management system of Lanzhou Zhuangyuan Pasture Co., Ltd. (hereinafter referred to as "the Company") and the corporate governance structure, regulating the organization and behavior of the Company's Board of directors and ensuring its efficient operation and scientific decision-making.</p>	<p>Reasons for the amendments: supplements to the relevant provisions of basis</p>

Before the amendments	After the amendments	Basis of the amendments
<p>Article 3</p> <p>The board of directors shall be accountable to the general meeting and shall exercise the following functions and powers:</p> <p>(1) to convene general meetings and report to the general meeting;</p> <p>(2) to execute resolutions of the general meeting;</p> <p>(3) to resolve on the Company's business plans and investment plans;</p> <p>(4) to prepare the annual financial budgets and final accounting plans of the Company;</p> <p>(5) to prepare the profit distribution plan and loss makeup plan of the Company;</p> <p>(6) to prepare plans for the increase or decrease of the registered capital of the Company, the issuance of bonds or other securities and the Listing;</p> <p>(7) to formulate plans for material acquisitions, purchase of shares of the Company, merger, division, dissolution or transformation of the Company;</p> <p>(8) to decide on external investment, acquisition and disposal of assets, asset pledge, external guarantee, consigned financial management, connected transactions, etc. of the Company within the authority granted by the general meeting;</p> <p>(9) to resolve on the establishment of internal management organizations of the Company;</p>	<p>Article 3</p> <p>The board of directors shall be accountable to the general meeting and shall exercise the following functions and powers:</p> <p>(1) to convene general meetings and report to the general meeting;</p> <p>(2) to execute resolutions of the general meeting;</p> <p>(3) to resolve on the Company's business plans and investment plans;</p> <p>(4) to formulate the Company's long-term and mid-term development plan;</p> <p>(5) to prepare the annual financial budgets and final accounting plans of the Company;</p> <p>(6) to prepare the profit distribution plan and loss makeup plan of the Company;</p> <p>(7) to prepare plans for the increase or decrease of the registered capital of the Company, the issuance of bonds or other securities and the Listing;</p> <p>(8) to formulate plans for material acquisitions, purchase of shares of the Company, merger, division, dissolution or transformation of the Company;</p> <p>(9) to decide on external investment, acquisition and disposal of assets, asset pledge, external guarantee, consigned financial management, connected transactions, etc. of the Company within the authority granted by the general meeting;</p>	<p>Article 160 of the Articles of Association</p> <p>The board of directors shall exercise the following functions and powers:</p> <p>(1) to convene general meetings and report to the general meeting;</p> <p>(2) to execute resolutions of the general meeting;</p> <p>(3) to resolve on the Company's business plans and investment plans;</p> <p>(4) to formulate the Company's long-term and mid-term development plan;</p> <p>(5) to prepare the annual financial budgets and final accounting plans of the Company;</p> <p>(6) to prepare the profit distribution plan and loss makeup plan of the Company;</p> <p>(7) to prepare plans for the increase or decrease of the registered capital of the Company, the issuance of bonds or other securities and the Listing;</p> <p>(8) to formulate plans for material acquisitions, purchase of shares of the Company, merger, division, dissolution or transformation of the Company;</p> <p>(9) to decide on external investment, acquisition and disposal of assets, asset pledge, external guarantee, consigned financial management, connected transactions, etc. of the Company within the authority granted by the general meeting;</p>

Before the amendments	After the amendments	Basis of the amendments
<p>(10) to appoint or dismiss the Company's general manager, secretary of the Board; to appoint or dismiss the Company's vice general manager, chief financial officer and other senior management as nominated by the general manager; and to determine their remunerations and rewards and penalties;</p> <p>(11) to formulate the basic management system of the Company;</p> <p>(12) to formulate the proposals for any amendment to these Articles of Association;</p> <p>(13) to manage the disclosure of information by the Company;</p> <p>(14) to propose to the general meeting the appointment or change of the accountants' firm to conduct the audit of the Company;</p> <p>(15) to listen to the work report of the general manager of the Company and examine the general manager's work;</p> <p>(16) to exercise other functions and powers as required by laws, administrative regulations, departmental rules or these Articles of Association and as conferred by the general meeting.</p>	<p>(10) to resolve on the establishment of internal management organizations of the Company;</p> <p>(11) to appoint or dismiss the Company's general manager, secretary of the Board as nominated by the chairman of the Board; to appoint or dismiss the Company's vice general manager, chief financial officer and other senior management as nominated by the general manager; and to determine their remunerations and rewards and penalties;</p> <p>(12) to set up the basic management system of the Company;</p> <p>(13) to formulate the proposals for any amendment to these Articles of Association;</p> <p>(14) to manage the disclosure of information by the Company;</p> <p>(15) to propose to the general meeting the appointment or change of the accountants' firm to conduct the audit of the Company;</p> <p>(16) to listen to the work report of the general manager of the Company and examine the general manager's work;</p> <p>(17) to monitor, review and evaluate the establishment and implementation of the Company's various internal control systems and to be responsible for the effectiveness of internal control;</p> <p>(18) to exercise other functions and powers as required by laws, administrative regulations, departmental rules or these Articles of Association and as conferred by the general meeting.</p>	<p>(10) to resolve on the establishment of internal management organizations of the Company;</p> <p>(11) To appoint or dismiss the Company's general manager, secretary of the Board as nominated by the chairman of the Board; to appoint or dismiss the Company's vice general manager, chief financial officer and other senior management as nominated by the general manager; and to determine their remunerations and rewards and penalties;</p> <p>(12) to set up the basic management system of the Company;</p> <p>(13) to formulate the proposals for any amendment to these Articles of Association;</p> <p>(14) to manage the disclosure of information by the Company;</p> <p>(15) to propose to the general meeting the appointment or change of the accountants' firm to conduct the audit of the Company;</p> <p>(16) to listen to the work report of the general manager of the Company and examine the general manager's work;</p> <p>(17) to monitor, review and evaluate the establishment and implementation of the Company's various internal control systems and to be responsible for the effectiveness of internal control;</p> <p>(18) to exercise other functions and powers as required by laws, administrative regulations, departmental rules or these Articles of Association and as conferred by the general meeting.</p>
<p>Article 16</p> <p>The Board meetings shall be held at least twice a year. Meetings shall be convened by chairman of the Board. Written notice shall be given to all directors and supervisors at least 10 days before the meeting is held (excluding the date of meeting).</p>	<p>Article 16</p> <p>The Board meetings shall be held at least four times a year. Meetings shall be convened by chairman of the Board. Written notice shall be given to all directors and supervisors at least 14 days before the meeting is held (excluding the date of meeting). The aforesaid time limit may be waived if written consent is given by all the directors present at the meeting.</p>	<p>Article 169 of Articles of Association</p> <p>The Board meetings shall be held at least four times a year. Meetings shall be convened by chairman of the Board. Written notice shall be given to all directors and supervisors at least 14 days before the meeting is held (excluding the date of meeting). The aforesaid time limit may be waived if written consent is given by all the directors present at the meeting.</p>

Before the amendments	After the amendments	Basis of the amendments
<p>Article 17</p> <p>The board of directors shall, on the time of giving the meeting notice, provide all directors with sufficient information, including the relevant background information of the meeting subject and information and data that help the directors to understand business progress of the Company. When two or more directors are of the view that the information is insufficient or the basis of argument is not clear, they may jointly propose in writing to the Board to postpone the Board meeting or postpone deliberation of the issue, and the Board shall adopt such proposal.</p>	<p>Article 17</p> <p>The board of directors shall, on the time of giving the meeting notice, provide all directors with sufficient information, including the relevant background information of the meeting subject and information and data that help the directors to understand business progress of the Company. When two or more Independent directors are of the view that the information is insufficient or the basis of argument is not clear, they may jointly propose in writing to the Board to postpone the Board meeting or postpone deliberation of the issue, and the Board shall adopt such proposal. The Board shall adopt such proposal and the listed companies shall timely disclose relevant information.</p>	<p>Article 31 of Code of Corporate Governance for Listed Companies</p> <p>The Board meetings shall be held strictly in accordance with the prescribed procedures. The Board shall give prior notice to all directors within the prescribed time and provide them with sufficient information. When two or more Independent directors are of the view that the information is insufficient or the basis of argument is not clear, they may jointly propose in writing to the Board to postpone the Board meeting or postpone deliberation of the issue, and the Board shall adopt such proposal. The Board shall adopt such proposal and the listed companies shall timely disclose relevant information.</p>
<p>Article 19</p> <p>The chairman of the Board shall convene an extraordinary Board meeting within ten business days in one of the following situations when it is:</p> <ol style="list-style-type: none"> (1) considered necessary by the chairman of the Board; (2) proposed by the shareholders representing one-tenth or above of the voting rights; (3) jointly proposed by one-third or above of the directors; (4) proposed by the Supervisory Committee; (5) proposed by the general manager; 	<p>Article 19</p> <p>The chairman of the Board shall convene an extraordinary Board meeting within ten days in one of the following situations when it is:</p> <ol style="list-style-type: none"> (1) considered necessary by the chairman of the Board; (2) proposed by the shareholders representing one-tenth or above of the voting rights; (3) jointly proposed by one-third or above of the directors; (4) proposed by the Supervisory Committee; (5) proposed by the general manager; (6) jointly proposed by half or above of the independent directors; 	<p>Article 170 of the Articles of Association</p> <p>The chairman of the Board shall convene an extraordinary Board meeting within ten days in one of the following situations when it is:</p> <ol style="list-style-type: none"> (1) considered necessary by the chairman of the Board; (2) jointly proposed by one-third or above of the directors; (3) proposed by the Supervisory Committee; (4) proposed by the general manager; (5) proposed by the shareholders representing one-tenth or above of the voting rights; (6) jointly proposed by half or above of the independent directors;
<p>Article 20</p> <p>The notice of an extraordinary meeting of the Board shall be served by hand delivery or fax, or, in case of an emergency, initially by phone and then supplemented with written notice through mail or fax, prior to the start of the meeting.</p>	<p>Article 20</p> <p>The notice of an extraordinary meeting of the Board shall be served by: direct delivery, fax, e-mail or other means. The time limit of such notice is: 3 days prior to the date of meeting. The aforesaid time limit may not apply if written consent is given by all directors present at the meeting.</p>	<p>Article 171 of Articles of Association</p> <p>The notice of an extraordinary meeting of the Board shall be served by: direct delivery, fax, e-mail or other means. The time limit of such notice is: 3 days prior to the date of meeting. The aforesaid time limit may not apply if written consent is given by all directors present at the meeting.</p>

Before the amendments	After the amendments	Basis of the amendments
<p>Article 22</p> <p>Directors shall attend the Board meetings in person. Where the director is unable to attend a meeting for any reason, he may appoint another director to attend the meeting on his behalf by a written power of attorney.</p> <p>The proxy form shall set out the name of the proxy, the matter, the scope of authority and the effective period and such form shall be signed and sealed by the principal.</p> <p>The director appointed as the representative of another director to attend the meeting shall exercise the rights of the director within the scope of authority conferred by the appointing director. Where a director is unable to attend a Board meeting and has not appointed a proxy to attend the meeting on his behalf, he shall be deemed to have waived his right to vote at the meeting.</p>	<p>Article 22</p> <p>Directors shall attend the Board meetings in person. Where the director is unable to attend a meeting for any reason, he may appoint another director to attend the meeting on his behalf by a written power of attorney.</p> <p>The proxy form shall set out the name of the proxy, the matter, the scope of authority and the effective period and such form shall be signed and sealed by the principal.</p> <p>The director appointed as the representative of another director to attend the meeting shall exercise the rights of the director within the scope of authority conferred by the appointing director. Where a director is unable to attend a Board meeting and has not appointed a proxy to attend the meeting on his behalf, he shall be deemed to have waived his right to vote at the meeting.</p> <p>A director shall not make or accept an appointment without voting intentions, discretionary appointment or appointment with indefinite scope of authorization. The responsibility of a director in connection with his/her voting on resolutions shall not be waived by attending of the meeting by a proxy.</p> <p>One director shall not accept the authorization by more than two directors at a Board meeting to attend such meeting on behalf of them. The independent director shall not appoint non-independent director to attend the meeting on his behalf. When considering matters relating to connected transactions, the unrelated directors shall not appoint related directors to attend the meeting on his behalf.</p>	<p>Guidelines of the Shenzhen Stock Exchange for the Standard Operation of Listed Companies on the Small and Medium-sized Enterprise Board 3.3.3 Directors shall attend the Board meetings in person. Where the director is unable to attend a meeting for any reason, he shall prudently select and appoint another director to attend the meeting on his behalf by a written power of attorney. The independent director shall not appoint non-independent director to attend the meeting on his behalf. Where a voting matter is involved, the principal shall, in the power of proxy, clearly express his voting opinion of pro, con or abstention on each matter. A director shall not make or accept an appointment without voting intentions, discretionary appointment or appointment with indefinite scope of authorization. The responsibility of a director in connection with his/her voting on resolutions shall not be waived by attending of the meeting by a proxy.</p> <p>One director shall not accept the authorization by more than two directors at a Board meeting to attend such meeting on behalf of them. The independent director shall not appoint non-independent director to attend the meeting on his behalf. When considering matters relating to connected transactions, the unrelated directors shall not appoint related directors to attend the meeting on his behalf.</p>
<p>Article 24</p> <p>The resolutions at a Board Meeting shall be voted on by open ballot and each director has one vote. A resolution of the board of directors must be passed by more than half of all of the directors of the Company.</p>	<p>Article 24</p> <p>The resolutions at a Board Meeting shall be voted on by open ballot and each director has one vote. A resolution of the board of directors must be passed by more than half of all of the directors of the Company, unless otherwise stipulated in the Articles.</p>	<p>Reasons for the amendments: Special circumstances of voting occurred in the amendment of Articles of Association.</p>
<p>Article 26</p> <p>Minutes for Board Meetings shall be recorded and undersigned by the attending directors, secretary to the Board and the recorder. Attending directors are entitled to add explanatory notes to the statements he/she makes during the meeting on the minutes. Minutes for Board Meetings are kept by the secretary to the Board as a document of the Company for no less than 10 years.</p>	<p>Article 26</p> <p>Minutes for Board Meetings shall be recorded and undersigned by the attending directors, secretary to the Board and the recorder. Attending directors are entitled to add explanatory notes to the statements he/she makes during the meeting on the minutes. Minutes for Board Meetings are kept by the secretary to the Board as a document of the Company for no less than 15 years.</p>	<p>Article 177 of the Articles of Association The Board shall file resolutions passed at the meeting as minutes, which shall be signed by the attending directors and the recorder. The directors shall be responsible for the resolutions passed at the Board meetings. If any resolution made by the Board runs counter to the laws, administrative regulations or these Articles of Association and causes any substantial losses to the Company, directors who vote for the said resolution shall be liable for compensation to the Company. If any director raises an objection to the resolution and the said objection is recorded in the minutes, the said director may be exempt from any liability.</p> <p>The minutes for Board meetings shall be kept as document of the Company for no less than 15 years.</p>

Comparison table of amendments to the Administrative Procedures for External Guarantees

Before the amendments	After the amendments	Basis of the amendments
Add Article 19 after Article 18 , the serial numbers of the following articles shall be ascended in order.	Article 19 The independent directors of the Company shall render a special explanation and express an independent opinion in the annual report of the Company in relation to the aggregate amount of external guarantees provided by the Company and the particulars of the external guarantees provided by the Company for the current period and the compliance with relevant requirements.	Notice on Certain Issues concerning on the Regulation of Capital Exchange Between Listed Companies and Related Parties and External Guarantees of Listed Companies (《關於規範上市公司與關聯方資金往來及上市公司對外擔保若干問題的通知》) 2. (6) The independent directors of a listed company shall render a special explanation and express an independent opinion in the annual report of the listed company in relation to the aggregate amount of external guarantees provided by the listed company and the particulars of the external guarantees provided by the listed company for the current period and the compliance with relevant requirements.

Comparison table of amendments to Connected Transactions Decision-making Rules

Before the amendments	After the amendments	Basis of the amendments
In order to further regulate the management of connected transactions of Lanzhou Zhuangyuan Pasture Co., Ltd. (hereinafter referred to as the “Company”), to clarify the decision-making procedures of the connected transactions and the management of division of duties, to protect the legal interest of the Company, its shareholders and its creditors, in particular the legal interest of medium and small investors, and to undertake that the connected transaction agreements entered into between the Company and the related parties comply with the principles of equivalence, justice fairness and openness, this policy is hereby formulated in accordance with the provisions under the Company Law of People’s Republic of China, Corporate Governance Standards for Listed Companies, Accounting Standard for Business Enterprises: Disclosure of Related Parties Relationships and Transactions , Rules Governing the Listing of Stocks on Shenzhen Stock Exchange and the Articles of Association of the Company.	In order to further regulate the management of connected transactions of Lanzhou Zhuangyuan Pasture Co., Ltd. (hereinafter referred to as the “Company”), to clarify the decision-making procedures of the connected transactions and the management of division of duties, to protect the legal interest of the Company, its shareholders and its creditors, in particular the legal interest of medium and small investors, and to undertake that the connected transaction agreements entered into between the Company and the related parties comply with the principles of equivalence, justice fairness and openness, this policy is hereby formulated in accordance with the provisions under the Company Law of People’s Republic of China, Corporate Governance Standards for Listed Companies, Rules Governing the Listing of Stocks on Shenzhen Stock Exchange and the Articles of Association of the Company.	Decision of the Ministry of Finance on Announcing the List of Repealed and Invalidated Finance Rules and Regulatory Documents (10th Batch) (《財政部關於公佈廢止和失效的財政規章和規範性文件目錄(第十批)的決定》) 1. List of Repealed and Invalidated Finance Rules and Regulatory Documents 281. Accounting Standard for Business Enterprises: Disclosure of Related Parties Relationships and Transactions (22 May 1997, Ministry of Finance Cai Kuai Zi [1997] No. 21)

Before the amendments	After the amendments	Basis of the amendments
Article 19 When the shareholders in the general meeting deliberate the connected transactions matters, the following shareholders shall abstain from the voting:	Article 19 When the shareholders in the general meeting deliberate the connected transactions matters, the following shareholders shall abstain from the voting:	Rules Governing the Listing of Stocks on the Shenzhen Stock Exchange Article 10.2.2. When the shareholders in the general meeting deliberate the connected transactions matters, the following shareholders shall abstain from the voting:
(1) the counterparty;	(1) the counterparty;	(1) the counterparty;
(2) the ones who own the direct or indirect control power of the counterparty;	(2) the ones who own the direct or indirect control power of the counterparty;	(2) the ones who own the direct or indirect control power of the counterparty;
(3) the ones who are directly or indirectly controlled by the counterparty;	(3) the ones who are directly or indirectly controlled by the counterparty;	(3) the ones who are directly or indirectly controlled by the counterparty;
(4) the ones who are directly or indirectly controlled by the same legal person or natural person with the counterparty;	(4) the ones who are directly or indirectly controlled by the same legal person or natural person with the counterparty;	(4) the ones who are directly or indirectly controlled by the same legal person or natural person with the counterparty;
(5) the ones whose voting power is restricted or affected because of the equity transfer agreement or other agreements which have not already finished the performance with the counterparty or its connected persons;	(5) the ones whose voting power is restricted or affected because of the equity transfer agreement or other agreements which have not already finished the performance with the counterparty or its connected persons;	(5) the ones who holds a position at the counterparty, or holds a position in the legal person that directly or indirectly controls the counterparty or that is directly or indirectly controlled by the counterparty (applicable to natural person shareholders);
(6) legal person or natural person who is considered by CSRC or the Shenzhen Stock Exchange that may cause the Company to incline to its interests.	(6) the ones who hold a position at the counterparty, or hold a position in the legal person unit that directly or indirectly controls the counterparty or that is directly or indirectly controlled by the counterparty (applicable to natural person shareholders);	(6) the ones whose voting power is restricted or affected because of the equity transfer agreement or other agreements which have not already finished the performance with the counterparty or its connected persons;
	(7) legal person or natural person who is considered by CSRC or the Shenzhen Stock Exchange that may cause the Company to incline to its interests.	(7) legal person or natural person who is considered by CSRC or the Shenzhen Stock Exchange that may cause the Company to incline to its interests.

Before the amendments	After the amendments	Basis of the amendments
<p>Article 29</p> <p>The Company shall disclose the following matters in connection with the connected transactions, including but not limited to:</p> <ol style="list-style-type: none"> summary and basic information on the subject of the transactions; description on related relationships between the parties to the transactions and basic information of the connected persons, such as registered capital, principle business, operating income for the most recent year/period, profit, net profit, net assets, total liabilities etc.; aggregate amount of all kinds of connected transactions carried out with such connected persons from the beginning of such year up to the date of disclosure; the pricing policy and pricing basis of the transactions, including the relationship between the transaction price and book value of the transaction subject, assessed value and market price or the description on their differences; major particulars of the agreements, including traded price, method of settlement of the transaction, nature and proportion of the interests of the connected persons in relation to the transaction, conditions and terms of the agreements, etc.; where a connected transaction involves an acquisition or disposal of interests in a company, details of the beneficial owners of such company shall be explained; analysis by the board of directors on the impact of such transaction on the current and future financial condition and results of operation of the Company; where payments by the transaction counterparties or third parties to the Company are involved, the board of directors shall explain the judgment on risks relating to the recoverability of the amounts; 	<p>Article 29</p> <p>The Company shall disclose the following matters in connection with the connected transactions, including but not limited to:</p> <ol style="list-style-type: none"> summary and basic information on the subject of the transactions; description on related relationships between the parties to the transactions and basic information of the connected persons, such as registered capital, principle business, operating income for the most recent year/period, profit, net profit, net assets, total liabilities etc.; aggregate amount of all kinds of connected transactions carried out with such connected persons from the beginning of such year up to the date of disclosure; the pricing policy and pricing basis of the transactions, including the relationship between the transaction price and book value of the transaction subject, assessed value and the clear and fair market price and other specific matters related to pricing that are required to explain due to the special nature of the transaction subject ; If there are significant differences among the transaction price and book value, assessed value or market price, the reason thereof shall be stated. If the transaction is unfair, the direction of interest transfer arising from this connected transaction shall also be disclosed; Major particulars of the agreements, including transaction price, method of settlement of transaction, the nature and proportion of the interests of the connected persons in relation to the transaction, conditions and terms of the agreements, etc.; where a connected transaction involves an acquisition or disposal of interests in a company, details of the beneficial owners of such company shall be explained; 	<p>Rules Governing the Listing of Stocks on the Shenzhen Stock Exchange Article 10.2.8.</p> <p>The announcement regarding the connected transaction disclosed by a listed company shall include the following particulars:</p> <ol style="list-style-type: none"> summary of the transaction and the basic information on the subject of the transaction; prior consent and independent opinion expressed by the independent directors; voting results of the board of directors, if applicable; description on related relationships between the parties to the transaction and the basic information of the connected persons; the pricing policy and pricing basis of the transaction, including the relationship between the transaction price and book value of the transaction subject, assessed value and the clear and fair market price and other specific matters related to pricing that are required to explain due to the special nature of the transaction subject ; If there are significant differences among the transaction price and book value, assessed value or market price, the reason thereof shall be stated. If the transaction is unfair, the direction of interest transfer arising from this connected transaction shall also be disclosed; major particulars of the transaction agreement, including transaction price, method of settlement of transaction, the nature and proportion of the interests of the connected persons in relation to the transaction, conditions, conditions and terms of the agreement, etc.; purpose and impact of the transaction on the Company, including the necessity and real intention of this connected transaction, impacts on current and future financial condition and operating results and so on;

Before the amendments	After the amendments	Basis of the amendments
<p>9. any prior views and opinions of the independent directors;</p> <p>10. other contents required by CSRC and Shenzhen Stock Exchange to contribute to explain the substance of transaction.</p>	<p>7. analysis by the board of directors on the impact of such transaction on the current and future financial condition and results of operation of the Company;</p> <p>8. where payments by the transaction counterparties or third parties to the Company are involved, the board of directors shall explain the judgment on risks relating to the recoverability of the amounts;</p> <p>9. any prior views and opinions of the independent directors;</p> <p>10. voting results of the board of directors, if applicable;</p> <p>11. other contents as stipulated in the Information Disclosure Management System of the Company.</p> <p>12. other contents required by CSRC and Shenzhen Stock Exchange to contribute to explain the substance of transaction.</p>	<p>(8) the total amount of various connected transactions accumulatively entered into with such connected person from the beginning of the year to the disclosure date;</p> <p>(9) other contents stipulated in Article 9.15 of the rules;</p> <p>(10) other contents required by CSRC and Shenzhen Stock Exchange to contribute to explain the substance of transaction.</p>

Comparison Table for the Amendments of the Rules for the Selection and Appointment of Accountants' Firm

Before the amendments	After the amendments	Basis of the amendments
<p>Article 10 Procedures for selection and appointment of accountants' firm:</p> <p>.....</p> <p>(6) In accordance with the resolution of the shareholders' general meeting, the Company and the accountants' firm should sign the Audit Engagement Letter.</p> <p>Appointing the relevant accountants' firm to perform the relevant audit service, the term of which shall be one year, and may be renewed.</p>	<p>Article 10 Procedures for selection and appointment of accountants' firm:</p> <p>.....</p> <p>(6) In accordance with the resolution of the shareholders' general meeting, the Company and the accountants' firm should sign the Audit Engagement Letter.</p> <p>Appointing the relevant accountants' firm to perform the relevant audit service, the term of which shall be one year, and may be renewed.</p> <p>(7) The remuneration of an accountants' firm or the manner in which such firm is to be remunerated shall be determined at the general meeting. The remuneration of an accountants' firm appointed by the Board shall be determined by the Board.</p>	<p>Article 256 of the Articles of Association The remuneration of an accountants' firm or the manner in which such firm is to be remunerated shall be determined at the general meeting. The remuneration of an accountants' firm appointed by the Board shall be determined by the Board.</p>
<p>Article 14 The Company shall appoint another accountants' firm in the event of the following circumstances:</p> <p>(1) major deficiencies in the practice quality of the accountants' firm;</p> <p>(2) audit staff and time arrangements of the accountants' firm that are difficult to guarantee the disclosure of annual report by the Company as scheduled;</p> <p>(3) request made by the accountants' firm to terminate the audit business for the Company.</p> <p>Except for the above circumstances, the Company shall not change the accountants' firm conducting audit for its accounting statements during the audit period for its annual report.</p>	<p>Article 14 The Company shall appoint another accountants' firm in the event of the following circumstances:</p> <p>(1) major deficiencies in the practice quality of the accountants' firm;</p> <p>(2) audit staff and time arrangements of the accountants' firm that are difficult to guarantee the disclosure of annual report by the Company as scheduled;</p> <p>(3) request made by the accountants' firm to terminate the audit business for the Company.</p>	

Before the amendments	After the amendments	Basis of the amendments
Add provisions after Article 14 and the serial numbers of the other provisions of the original Articles of Association shall be ascended in order.	<p>Article 15 Regardless of the terms in the contract concluded between the accountants' firm and the Company, the general meeting may, through an ordinary resolution, resolve to dismiss the said accountants' firm before the expiration of the term thereof. In the event of any rights claimed by the accountants' firm against the Company, the said rights shall not be affected.</p> <p>Article 16 If there is a vacancy in the position of auditor of the Company, the Board may appoint an accountants' firm to fill such vacancy before the convening of the general meeting, but the appointment shall be confirmed by the shareholders in the next general meeting. Any other accountants' firm which has been appointed by the Company may continue to act during the period of existence of such vacancy.</p>	<p>Article 252 of the Articles of Association If there is a vacancy in the position of auditor of the Company, the Board may appoint an accountants' firm to fill such vacancy before the convening of the general meeting, but the appointment shall be confirmed by the shareholders in the next general meeting. Any other accountants' firm which has been appointed by the Company may continue to act during the period of existence of such vacancy.</p> <p>Article 253 Regardless of the terms in the contract concluded between the accountants' firm and the Company, the general meeting may, through an ordinary resolution, resolve to dismiss the said accountants' firm before the expiration of the term thereof. In the event of any rights claimed by the accountants' firm against the Company, the said rights shall not be affected.</p>

Before the amendments	After the amendments	Basis of the amendments
<p>Add provisions after Article 18 and the serial numbers of the other articles of the original Articles of Association shall be ascended in order.</p>	<p>Article 19 Where the Company dismisses or ceases to re-appointing an accountants' firm, a thirty-day prior notice shall be given to the accountants' firm, and the accountants' firm shall have the right to state its opinions to the general meeting. Where it is proposed that any resolution be passed at a general meeting concerning the appointment of an accountants' firm which is not an incumbent firm to fill a casual vacancy in the office of the accountants' firm, the re-appointment of a retiring accountants' firm which was appointed by the Board to fill a casual vacancy, or the dismissal of an accountants' firm before the expiration of its term of office, the following provisions shall apply:</p> <p>(1) A copy of the appointment or removal proposal shall be sent to the accountants' firm which is proposed to be appointed or dismissed or which has left its post in the relevant accounting year before the notice of the general meeting is given to the shareholders. The leaving of an accountants' firm includes the removal, resignation or retirement of such firm.</p> <p>(2) If the accountants' firm leaving its post makes representations in writing and requests the Company to notify such representations to the shareholders, the Company shall (unless the representations have been received after the prescribed time) take the following measures:</p> <ol style="list-style-type: none"> 1. state the fact that the retiring accountants' firm has made such representations in any notice of the resolution given to shareholders; 2. attach a copy of the representations to the notice and deliver it to the shareholders in the manner as stipulated in these Articles. <p>(3) if the Company fails to send out the representations of the accountants' firm in the manner set out in clause (ii) above, such accountants' firm may require that the representations be read out at the meeting and may make a further appeal.</p>	<p>Article 254 of the Articles of Association Appointment, dismissal or non-retention of the accountants' firm shall be subject to the decision of the general meeting and shall be filed with the securities regulatory authority under the State Council.</p> <p>Where the Company dismisses or ceases to re-appointing an accountants' firm, a thirty-day prior notice shall be given to the accountants' firm, and the accountants' firm shall have the right to state its opinions to the general meeting. Where it is proposed that any resolution be passed at a general meeting concerning the appointment of an accountants' firm which is not an incumbent firm to fill a casual vacancy in the office of the accountants' firm, the re-appointment of a retiring accountants' firm which was appointed by the Board to fill a casual vacancy, or the dismissal of an accountants' firm before the expiration of its term of office, the following provisions shall apply:</p> <p>(1) a copy of the appointment or removal proposal shall be sent to the accountants' firm which is proposed to be appointed or dismissed or which has left its post in the relevant accounting year before the notice of the general meeting is given to the shareholders. The leaving of an accountants' firm includes the removal, resignation or retirement of such firm.</p> <p>(2) if the accountants' firm leaving its post makes representations in writing and requests the Company to notify such representations to the shareholders, the Company shall (unless the representations have been received after the prescribed time) take the following measures:</p> <ol style="list-style-type: none"> 1. state the fact that the retiring accountants' firm has made such representations in any notice of the resolution given to shareholders; 2. attach a copy of the representations to the notice and deliver it to the shareholders in the manner as stipulated in these Articles. <p>(3) if the Company fails to send out the representations of the accountants' firm in the manner set out in clause (ii) above, such accountants' firm may require that the representations be read out at the meeting and may make a further appeal.</p>

Before the amendments	After the amendments	Basis of the amendments
	<p>(4) The retiring accountants' firm shall be entitled to attend the following meetings:</p> <ol style="list-style-type: none"> 1. the general meeting at which its term of office expires; 2. the general meeting at which it is proposed to fill the vacancy caused by its removal; 3. the general meeting which is convened as a result of its resignation. The retiring accountants' firm shall be entitled to receive all notices of, and other communications relating to, any such meetings, and to speak at any such meetings in relation to matters concerning its role as the former accountants' firm of the Company. 	<p>(4) The retiring accountants' firm shall be entitled to attend the following meetings:</p> <ol style="list-style-type: none"> 1. the general meeting at which its term of office expires; 2. the general meeting at which it is proposed to fill the vacancy caused by its removal; 3. the general meeting which is convened as a result of its resignation. The retiring accountants' firm shall be entitled to receive all notices of, and other communications relating to, any such meetings, and to speak at any such meetings in relation to matters concerning its role as the former accountants' firm of the Company.

Before the amendments	After the amendments	Basis of the amendments
<p>Add provisions after Article 21 and the serial numbers of the other articles of the original Articles of Association shall be ascended in order.</p>	<p>Article 22 Where the accountants' firm resigns its post, it shall make clear to the general meeting whether there has been any impropriety on the part of the Company.</p> <p>An accountants' firm may resign its office by depositing a resignation notice at the Company's legal address. Such notice shall become effective on the date of such deposit or on such later date as may be stipulated in such notice. Such notice shall include the following statements:</p> <p>(1) a statement to the effect that there are no circumstances connected with its resignation which it considers should be brought to the notice of the shareholders or creditors of the Company;</p> <p>(2) a statement of any other circumstances requiring an explanation. The Company shall send a copy of the notice referred to in the preceding paragraph to the relevant governing authority within 14 days after receipt. If the notice contains a statement as mentioned in clause (ii) of Article 19, a copy of such statement shall be placed at the Company for the inspection of shareholders. The Company shall also send a copy of such statement by prepaid mail to each shareholder who is entitled to receive the report regarding financial conditions of the Company at the address registered in the register of shareholders.</p> <p>If the notice of resignation of accountants' firm contains a statement in respect of any circumstances requiring an explanation, it may require the Board to convene an extraordinary general meeting for the purpose of giving an explanation of the circumstances in connection with its resignation.</p>	<p>Article 257 of the Articles of Association Where the accountants' firm resigns its post, it shall make clear to the general meeting whether there has been any impropriety on the part of the Company.</p> <p>An accountants' firm may resign its office by depositing a resignation notice at the Company's legal address. Such notice shall become effective on the date of such deposit or on such later date as may be stipulated in such notice. Such notice shall include the following statements:</p> <p>(1) a statement to the effect that there are no circumstances connected with its resignation which it considers should be brought to the notice of the shareholders or creditors of the Company;</p> <p>(2) a statement of any other circumstances requiring an explanation. The Company shall send a copy of the notice referred to in the preceding paragraph to the relevant governing authority within 14 days after receipt. If the notice contains a statement as mentioned in clause (ii) of Article 254, a copy of such statement shall be placed at the Company for the inspection of shareholders.</p> <p>Unless otherwise stated in the Articles of Association, the Company shall also send a copy of such statement by prepaid mail to each shareholder who is entitled to receive the report regarding financial conditions of the Company at the address registered in the register of shareholders.</p> <p>If the notice of resignation of accountants' firm contains a statement in respect of any circumstances requiring an explanation, it may require the Board to convene an extraordinary general meeting for the purpose of giving an explanation of the circumstances in connection with its resignation.</p>

Comparison Table for the Amendments of the Implementation Rules of the Cumulative Voting System and Online Voting

Before the amendments	After the amendments	Basis of the amendments
Article 1 To improve the corporate governance structure of Lanzhou Zhuangyuan Pasture Co., Ltd. (the “Company”), safeguard the rights of small and medium shareholders to participate in the decision-making process on significant issues for the Company, and practically guarantee the legal rights of investors, these implementation rules are formulated in accordance with such laws and regulations and normative documents as the Company Law of the People’s Republic of China (the “Company Law”), Code of Corporate Governance for Listed Companies in PRC, the Implementation Rules of Online Voting for the General Meetings of Listed Companies of the Shenzhen Stock Exchange (revised in 2016), and Articles of Association of Lanzhou Zhuangyuan Pasture Co., Ltd. (the “Articles”), in consideration of the actual circumstances of the Company.	Article 1 To improve the corporate governance structure of Lanzhou Zhuangyuan Pasture Co., Ltd. (the “Company”), safeguard the rights of small and medium shareholders to participate in the decision-making process on significant issues for the Company, and practically guarantee the legal rights of investors, these implementation rules are formulated in accordance with such laws and regulations and normative documents as the Company Law of the People’s Republic of China (the “Company Law”), Code of Corporate Governance for Listed Companies in PRC, the Implementation Rules of Online Voting for the General Meetings of Listed Companies of the Shenzhen Stock Exchange, and Articles of Association of Lanzhou Zhuangyuan Pasture Co., Ltd. (the “Articles”), in consideration of the actual circumstances of the Company.	Reasons of the amendments the article has been revised.
Article 22 To implement online voting at the general meeting, the Company shall enter into an agreement with Shenzhen Securities Information Co., Ltd. three trading days before the first day of the online voting (excluding such day), and provide the electronic data of all shareholders whose name appears on the register on the closing date, including the shareholder’s name, account number, type of share, and number of shares.	Article 22 The Company shall apply for opening the online voting service in the online voting system of Shenzhen Stock Exchange on the next trading day after the date on which the notice of the general meeting was published and enter the voting information into the system, including the basic information of the general meeting, voting proposal and proposal type. The listed companies shall complete the double-check on the voting information on the next trading day after the equity registration date to confirm the authenticity, accuracy and completeness of the voting information and assume all the possible risks and losses arising therefrom.	Article 8 of the Implementation Rules of the Online Voting for the General Meetings of Listed Companies on the Shenzhen Stock Exchange: The listed companies shall apply for opening the online voting service in our online voting system on the next trading day after the date on which the notice of the general meeting is published and enter the voting information into the system, including the basic information of the general meeting, voting proposal and proposal type. The listed companies shall complete the double-check on the voting information on the next trading day after the equity registration date to confirm the authenticity, accuracy and completeness of the voting information and assume all the possible risks and losses arising therefrom.
Article 23 In case of general meetings convened by the Supervisory Committee or Shareholders independently without the cooperation of the Board, such convener of the general meeting may administer the related issues of the online voting based on the requirements of the articles of association.	Article 23 The Company shall provide the electronic data of the information of all the shareholders who are registered in the register of shareholders on the equity registration date by the second trading day after the date on which the online voting commences, including the contents such as the names of shareholders, shareholder accounts and number of shares. There shall be at least two trading days between the equity registration date of the general meeting of the Company and the date on which the online voting commences.	Article 9 of the Implementation Rules of the Online Voting for the General Meetings of Listed Companies on the Shenzhen Stock Exchange: The listed company shall provide the electronic data of the information of all the shareholders who are registered in the register of shareholders on the equity registration date by the second trading day after the date on which the online voting commences, including the contents such as names of shareholders, shareholder accounts and number of shares. There shall be at least two trading days between the equity registration date of the general meeting of the listed companies and the date on which the online voting commences.

Before the amendments	After the amendments	Basis of the amendments
<p>Add provisions after Article 30 and the serial numbers of the other articles of the original Articles of Association shall be ascended in order.</p>	<p>Article 31 According to the provisions of the relevant rules, the following holders or nominal holders of the aggregate accounts who need to solicit opinions on voting from the principals or the actual holders before executing the voting rights, shall vote through the online voting system after soliciting opinions and may not vote through the trading system:</p> <ol style="list-style-type: none"> (1) the securities companies that hold the securities accounts secured by the credit transactions of the clients of securities margin trading; (2) the securities companies that hold the special securities accounts for agreed repurchase transactions; (3) China Securities Finance Corporation Limited that holds the securities accounts secured by refinancing; (4) Qualified Foreign Institutional Investor (QFII); (5) foreign agents of B shares; (6) Hong Kong Securities Clearing Company Limited (hereinafter referred as “HKSCC”) that holds stocks of Shenzhen-Hong Kong Stock Connect; (7) the holders or nominal holders of other aggregate accounts identified by CSRC or Shenzhen Stock Exchange. <p>The relevant matters on the participation in the online voting of the general meetings of the listed companies in Shenzhen-Hong Kong Stock Connect by HKSCC shall be executed in accordance with the Implementation Guidelines for the Participation in the Online Voting of the General Meetings of the Listed Companies in Shenzhen-Hong Kong Stock Connect by HKSCC.</p>	<p>Article 16 of the Implementation Rules of the Online Voting for the General Meetings of Listed Companies on the Shenzhen Stock Exchange: According to the provisions of the relevant rules, the following holders or nominal holders of the aggregate accounts who need to solicit opinions on voting from the principals or the actual holders before executing the voting rights, shall vote through the online voting system after soliciting opinions and may not vote through the trading system:</p> <ol style="list-style-type: none"> (1) the securities companies that hold the securities accounts secured by the credit transactions of the clients of securities margin trading; (2) the securities companies that hold the special securities accounts for agreed repurchase transactions; (3) China Securities Finance Corporation Limited that holds the securities accounts secured by refinancing; (4) Qualified Foreign Institutional Investor (QFII); (5) foreign agents of B shares; (6) Hong Kong Securities Clearing Company Limited (hereinafter referred as “HKSCC”) that holds stocks of Shenzhen-Hong Kong Stock Connect; (7) the holders or nominal holders of other aggregate accounts identified by CSRC or us. <p>The relevant matters on the participation in the online voting of the general meetings of the listed companies in Shenzhen-Hong Kong Stock Connect by HKSCC shall be otherwise specified by us.</p>

**2018 SELF-ASSESSMENT REPORT ON
INTERNAL CONTROL
OF
LANZHOU ZHUANGYUAN PASTURE CO., LTD.**

In accordance with the relevant requirements of the Basic Standards for Enterprise Internal Control and its supporting guidelines, and other internal control regulatory requirements (“Standards System for Enterprise Internal Control”), together with the internal control system and assessment methods of Lanzhou Zhuangyuan Pasture Co., Ltd. (the “Company”), based on the daily supervision and special supervision of internal control, we have assessed the effectiveness of the internal control of the Company in 2018.

I. IMPORTANT STATEMENT

It is the responsibility of the Board of the Company to establish and effectively implement sound internal control, to evaluate its effectiveness and to truthfully disclose the assessment report on internal control in accordance with the requirements of the Standards System for Enterprise Internal Control. The supervisory committee supervises the establishment and implementation of internal control by the Board. The manager level is responsible for organizing and leading the daily operation of internal control of enterprise. The Board of the Company, supervisory committee and Directors, supervisors and senior management officers ensure that there are no false representations, misleading statements and material omissions in this report, and are severally and jointly responsible for the authenticity, accuracy and completeness of the contents herein.

The goal of the Company’s internal control is to reasonably ensure the legal compliance of operation and management, assets security, the truthfulness and completeness of financial reports and related information, to improve operational efficiency and operating results and to boost the achievement of development strategies. Since the internal control is subject to inherent limitation, it can only provide reasonable assurance to achieve the above objectives. Moreover, as changes in circumstances may render internal control inappropriate or reduce the degree of compliance with internal control policy or procedures, it is risky, to a certain extent, to predict the effectiveness of internal control in the future based on the evaluation results of internal control.

II. CONCLUSION OF THE ASSESSMENT ON INTERNAL CONTROL

According to the identification of material internal control defects of the financial reports, since there is no material internal control defects in financial reports as at the benchmark date of the assessment report on internal control , the Board considered that the Company has complied with the requirements of the Standards System for Enterprise Internal Control and related regulations to maintain effective internal control in financial reports in all material aspects.

According to the identification of material internal control defects in non-financial reports, as at the benchmark date of the assessment report on internal control, the Company found no material internal control defects in non-financial reports.

No factors that affect the assessment conclusion of internal control effectiveness between the benchmark date of the assessment report on internal control and the issuance date of the assessment report on internal control was identified.

III. ASSESSMENT ON INTERNAL CONTROL

(1). Scope of internal control evaluation

The Company has two subsidiaries, namely Qinghaihu Dairy Co., Ltd. (“Qinghaihu Dairy”), and Xi’ an Dongfang Dairy Co., Ltd. (“Xi’ an Dongfang Dairy”), and owns nine dairy farms. The head office of the joint stock company, Qinghaihu Dairy and Xi’ an Dongfang Dairy are primary involved in manufacturing and marketing of dairy products, and the dairy farms are engaged in breeding of dairy cows. The raw milk produced by the farms is mainly supplied to the Company, Qinghaihu Dairy and Xi’ an Dongfang Dairy.

The Company determines the main units, business, events and the high-risk areas included in the scope of the assessment in accordance with the risk-oriented principle. The main units included in the scope of the assessment are the home office of the joint stock company, Qinghaihu Dairy, Xi’ an Dongfang Dairy and the management process of biological assets of all dairy farms.

The main business and events included in the scope of the assessment are as follows:

1. Organizational structure

Pursuant to the Company Law, the Securities Law and the requirements of applicable laws and regulations, the Company established the sound corporate governance structure and formed the shareholders’ general meeting, the Board, the supervisory committee and the management system, which discharge the duties of decision-making, and executive and supervising functions in accordance with laws. The Company established reasonable internal organization and branches with clear segregation of duties based on its business needs, all of which ran smoothly. The Company set up the Rules and Procedures for the Shareholders’ General Meetings, the Rules and Procedures for the Board Meetings, the Rules and Procedures for the Supervisory Committee, the Working Manual for the Independent Directors, the Terms of Reference for the Strategy Committee, the Terms of Reference for the Nomination Committee, the Terms of Reference for the Audit Committee, the Terms of Reference for the Remuneration and Appraisal Committee, the Working Rules for General Manager, the Working System for Secretary to the Board, etc., all of which constitute comprehensive framework documents for corporate governance. The shareholders’ general meeting is entitled to the legal rights specified by laws, regulations and the

Articles of Association of the Company, and exercises the right to make decisions on major issues such as operation guidelines, fund raising, investment and profit distribution of the Company pursuant to laws. The Board is accountable to the shareholders' general meeting and exercises the right to make decisions on the operation of the enterprise pursuant to laws. The Board has established four specialized committees, namely the Strategy Committee, the Nomination Committee, the Audit Committee and the Remuneration Committee to improve the operation efficiency of the Board. Three out of the nine directors are independent Directors. An independent director acts as the conveners of three specialized committees, namely the Nomination Committee, the Audit Committee and the Remuneration Committee. The specialized committees operate and discharge their duties efficiently in accordance with the rules of procedure for the specialized committees set up by the Company. The Supervisory Committee is accountable to shareholders' general meeting and conducts review and supervision on the operation, finance and internal control pursuant to laws. The management is responsible for implementing resolutions of the shareholders' general meeting and the Board, and presiding over the Company's daily operation and management.

2. Development strategy

The Company formulated the Management System for Development Strategy in accordance with the requirements of the Company Law and the Basic Norms of Corporate Internal Control (企業內部控制基本規範), and established the strategy formulation and management process for the internal control according to its own characteristics, which stipulated that the Strategy Committee organizes the research on the Company's mid and long-term development strategies and makes recommendations to the Board on the development strategies, product strategies, technology and innovation strategies, investment strategies, etc. The relevant systems of the Company conform to the internal control norms and are implemented efficiently, which ensure that proper approval process is followed in respect of the analysis, formulation, implementation and alteration of strategic planning, and that the Company's strategy formulation are in compliance with laws and regulations, and are in line with the Company's actual situations, so as to promote the development of the Company and form a hierarchical management and guarantee system in respect of the strategic control. The Company always takes its medium and long-term development planning as the guidelines for every task.

3. Human resources

In terms of human resources, the Company implements uniform management on recruitment, development, training, promotion, change in position, remuneration, labor disciplines, etc. Pursuant to the Labor Law and other applicable laws and regulations, the Company implements a labor contract system for all its employees. By adopting a number of human resources management systems, such as the Management System for Recruitment and Employment, the Staff Regular Rotation System, and Auditing System for Resignation, the Company specified the post qualifications, competency of personnel, appraisal criteria and training measures, forming an effective performance appraisal and incentive mechanism.

In terms of recruitment, the Company formulated the Management System for Recruitment and Employment and the recruitment process. The Company makes recruitment on a regular or irregular basis. The human resources department makes recruitment planning based on the annual plan of each department on defined posts and personnel quota, specifies the requirements on education background, gender, specialty, working experience and recruitment process, and submits the same to the general manager for approval. The Company shall enter into a labor contract with each employee from the date of becoming a regular employee, and the contract term shall include a probation period. The Company shall recruit the ordinary employees by itself, and special external recruitment channels, such as head-hunting companies, are used for the recruitment of special talents. High talents recruited through special channels must enter into the Commercial Confidentiality Agreement and the Non-competing Restrictive Agreement.

In terms of staff training, the Company formulated the Management Measures on Staff Training, to strengthen the training and continuing education of the staff and continuously improve their competency.

The Company formulated the Employee Performance Appraisal Methods, which specifies the appraisal content and grades for each post of the Company. The appraisals are classified into monthly appraisals, year-end appraisals and performance appraisals. The Company determines the basis for the monthly pay for each employee based on the results of his/her monthly appraisals, and the basis for the year-end bonus based on the results of year-end appraisals. The Company motivates its employees and safeguards their interests through various measures, so as to achieve the corporate objectives.

The Company formulated the Management Measures for Employee Insurance in accordance with the relevant national and local laws and regulations, pursuant to which the Company made contributions in respect of the “Five Insurances and Housing Provident Fund” for its employees, and the part of individual contribution was deducted by our finance department from monthly salary of the employee.

4. *Social responsibilities*

The Company earnestly implements the national and local laws and regulations on production safety, environmental protection and occupational health. It set up a strict production safety management system and various emergency plans, and formulated a series of social responsibility management systems, such as the Management System for Production Safety Goals, the Product Delivery Inspection System, the System for Environmental Protection and Resource Conservation and the Emergency Response Plan for Environmental Pollution Incidents, with a view to specifying the responsibility for production safety and ensuring production safety.

5. *Corporate culture*

The administration department is responsible for building up the corporate culture. At the corporate level, the Company specified the enterprise core values, enterprise mission, enterprise vision, enterprise spirit, corporate slogan, and promoted our corporate culture through a number of ways, such as the employee manual, meetings, trainings, and compilation and distribution of the journal “Zhuangyuan People (《莊園人》)”.

In terms of system implementation, the Company issued the Culture Handbook, the Prohibitive Provisions on Commercial Bribery and Management of Legal Affairs etc. as the norm guiding its daily cultural management, specifying the provisions on the implementation and management of the corporate culture, which has become the guidelines for daily culture management.

6. Monetary Fund

(1) Monetary asset management

The Company formulated the Management System on Monetary Funds. A treasury department was established by the finance department of the Company to handle business concerning monetary funds, and the business concerning monetary fund shall not be processed by any person without prior authorization. Pursuant to the Signature Approval System for Funds and Fees, the application for, and the examination and approval, review and payment of, monetary fund in respect of different projects shall be subject to a maximum amount that the authorized persons at different levels are able to approve. The seal used in the collection and payment of monetary fund is kept and used by the different designated person(s). The use of monetary fund is fully recorded in the cash journal and bank deposit journal. All the vouchers and invoices of the Company are issued and maintained by the finance department.

A certificate of indebtedness, setting out the purpose of the borrowing, completed by the borrower who is an employee, and signed by the senior officers in charge at different levels together with a certificate of indebtedness signed by the finance department, shall be treated as evidences of the borrowing. Lending of money by the Company must be approved by a general manager's office meeting, or the Board and the shareholders' general meeting.

(2) Financing management

The Company formulated the Investment and Financing Management System, and the finance department is designated to manage the financing business.

In terms of borrowings from financial institutions, such as a bank, an initial financing plan shall be proposed by the finance department based on a number of factors, such as the operation strategies, budget and financial situation of the Company. The financing plan, involving the financing amount, form of financing, interest rate, maturity of financing, purpose of the fund raised, etc., shall be submitted to the Board for approval after the review by the Group's financial controller. In terms of financing activities such as capital contribution and issue of corporate bonds, a financing plan will be proposed by the financial controller, and be subject to the approval of the shareholders' meeting pursuant to legal process under the Articles of Association. In terms of financing lease activities, a

financing plan will be proposed by the procurement and supply department and will be submitted to the chairman of the Board for approval after review by the chief financial officer, and a contract in that effect will be entered into by the Chairman of the Board or the authorized representative(s).

7. *Procurement business*

Procurement business comprises of the procurement of biological assets and non-biological assets. According to the Procurement Management System of Lanzhou Zhuangyuan Pasture Co. Ltd., the Company specified matters such as the duty, procurement principles, procurement method, procurement plan, procurement scheme, contract management, inspection and acceptance of materials, financial settlements and management of suppliers as well as business monitoring of different procurement activity management departments.

7.1 *Procurement of biological assets*

The procurement of biological assets comprises of the procurement of cows and feed.

The dairy farm division of the Company is responsible for the procurement of dairy cows. The plan for the procurement of dairy cows will be made by the dairy farm division based on the construction of relevant farms, and will be submitted to the general manager's office meeting and the Board for approval, subject to the limits of authority of examination and approval. The dairy farm division will later make enquiry, fix the procurement plan after screening the qualified cow suppliers, and make procurement upon the approval of the person in charge of the farms or the general manager's office meeting with the authority of approval. Inspection will be made before the cows are accepted to the farms.

The dairy farms are responsible for the procurement of feed. The workers in charge of breeding dairy cows in the farms will make a procurement plan based on the remaining of feed and procurement cycle. A procurement requisition form is subject to the approval of the general manager after the review by deputy head of farm, head of farm and the director of the farm division. Upon the approval of the general manager, the procurement plan is implemented by the tender committee or the procurement and supply department, as the case may be. When tender offering is required, the tender committee will prepare the bidding documents and submit them to the procurement and supply department, which will make inquiry from qualified suppliers, and report the results of the inquiry to the director of the farm division for review. The procurement and supply department will later enter into a procurement contract or place a purchase order, and the warehouse keepers of the relevant farm will handle the registration of warehouse entry.

7.2 *Procurement of non-biological assets*

The procurement of non-biological assets comprises of the procurement of raw milk, auxiliary materials, packing materials and fixed assets.

The procurement and supply department of the Company is responsible for the procurement of raw milk. The quality control department of the Company is responsible for the inspection of the quality of raw milk. Procurement prices are determined by the procurement and supply department with reference to the prices of raw milk in local market, and are subject to the approval of the general manager before execution. The raw milk, received by the procurement and supply department from suppliers, will be inspected by the laboratory of the product department, and will be delivered to the warehouse keepers for making registration of warehouse entry once it passes the inspection.

The procurement and supply department of the Company is responsible for the procurement of auxiliary materials, packing materials and fixed assets. The procurement demand proposed by the demand management department will be examined and approved by the department manager or the general manager with approval authority. Subsequently, a procurement contract will be signed, or a procurement order will be placed by the procurement and supply department, and the products purchased will be delivered to the warehouse keepers of the logistic department for making registration of warehouse entry.

8. *Production Safety management*

The Company formulated the production management system, the quality management system and the project construction management system. The Company's plant design meets the relevant industrial standards and hygiene regulations, and ensures food production safety. The Company establishes the ISO9001 quality management system in the whole process of procurement, production and sales, and standardizes management, implements quality management which covers procurement of raw materials, product inspection and after-sales services, and ensures that the operations are in strict compliance with the operating procedures and sanitary requirements.

9. *Assets Management*

The assets management of the Company comprises of the management of biological assets and non-biological assets. The Company formulated the Fixed Assets Management System, the Biological Assets Management System and the Intangible Assets Management System, setting out in details the provisions on the acquisition, inspection and acceptance, maintenance, disposal and transfer, accounting records, internal supervision and review of fixed assets, biological assets and intangible assets. Various measures, such as clear segregation of responsibilities and periodic stocktaking of physical items, are taken to prevent the destruction and loss of assets.

9.1 *Management of biological assets*

The Group's biological assets, comprising of dairy cows, are managed by dairy farms. Before entering the farms, dairy cows shall be registered for entry after the satisfactory inspection by farms, and managed by ear marks. Through the biological asset management information system, each dairy farm keeps detailed records of biological assets, including cow number, cow age, cow category, milk yield, dates of birth and death, and records relevant biological assets information for the purpose of monitoring. The information on

biological assets is encrypted, and the use of the information shall be authorized, and such authorization shall be supported by documents and records. At the end of each month, each farm shall conduct stocktaking on the inventory of biological assets and feed. Upon the advice from the dairy farm, dairy cows may be disposed by completing the Approval Form for Culling of Dairy Cows, subject to the examination and approval of the person in charge of the dairy farm and the director of the dairy farm division.

9.2 Management of non-biological assets

Upon arrival of non-biological assets, they are first inspected by the procurement and supply department and the demand management department before the registration of assets is made. Fixed assets with satisfactory inspection are numbered by the operation department in a timely manner. The operation department will later set up a fixed assets ledger and organize the fixed asset stocktaking annually. Before disposal, fixed assets shall be reviewed with caution and on-site checked by the department using them and the operation department, to confirm if they meet scrap conditions. If so, the disposal will be examined and approved by the finance department, the operation department and the general manager after taking into account of the advice from the leaders of department using such fixed assets.

The operation department of the Company arranges year-end stocktaking on inventory, biological assets and fixed assets at each end of the year. In case of any discrepancy in the stocktaking, the accounting scheme for the discrepancy will be examined and approved by the departments with authority on a level-by-level basis.

10. Sales activities

The Company formulated the Management System for Marketing Center, the Internal Control Process of Marketing Center, the Contract Management System and the Customer Credit Management System, which set out the provisions on development of customers and markets, credit management, price management, management of receivables and notes, and clarified the procedures for approval and operation.

The marketing center is responsible for making monthly sales plans, customer development and credit management, sales pricing, entering into sales contracts, collection of payments, making call on receivables, reconciliation, and the control of delivery process. The marketing department is responsible for the preparation of price lists of goods. The finance department is responsible for accounting treatments, collection of payment for goods, etc.

The marketing center is responsible for entering into sales contracts with customers. A sales contract contains, including but not limited to, the legal entities of both parties, the subject matters of the contract, the quantity, the price (specifying tax inclusive or exclusive, failing of which, the price shall be deemed to be tax inclusive), the settlement of purchase prices, the rights and obligations of both parties, default clauses and resolution of disputes. After entering into a

sales contract, the marketing center shall complete the procedures of opening an account with the finance department, and the accounting personnel will enter the basic information in the finance system, such as the names, contact persons and telephone numbers of the customers, sales territory in which the customers operate, and the marketing center will record the sales policies, credit limits and credit term approved.

The Company has three sales modes, namely direct sales, distribution and dealership. Direct sales are made to end customers. Distribution is made in Lanzhou, Xining and Xi'an. The Company shall fix the prices in distribution, and grant rebates to distributors at a certain proportion of the sales value. Dealership is adopted outside Lanzhou, Xining and Xi'an. In dealership, the sales prices are not fixed by the Company, but by the relevant dealers with reference to the conditions of local markets. Revenue is recognized by the Company upon the transfer of the ownership and risks of goods. The marketing center is responsible for chasing outstanding payments. The Company sets different qualifications for direct customers, distributors and dealers.

The price lists of goods are prepared by the marketing department with reference to the similar products of competitors and market conditions, and are reviewed and approved by the general manager before execution. The marketing center will enter into sales contracts with customers based on the price lists approved. The logistic department is responsible for delivery of goods, and the warehouse keepers are responsible for preparing delivery lists. Upon receipt by the customers, the finance department will issue the invoice for sales and the income vouchers in accordance with the Accounting Standards for Business Enterprises.

The finance department prepares the "aging breakdown of accounts receivable" when closing accounts every month. The marketing center will review and follow up the collection work with credit sales customers in a timely manner. Should there exist uncollectible balances, the finance department will treat them as bad debts, which shall be subject to the consideration and approval of the marketing director and the general manager office.

11. Research and Development

The research and development work focuses on the development of new products. Development of new products is undertaken mainly by the technology department. The Company formulated the Product R&D Management System of Lanzhou Zhuangyuan Pasture Co., Ltd., which set out the provisions on market research, project approval and development operation.

The research and development department, the marketing department and the sale department will file project proposals in the Project Proposal (《項目提出建議書》) based on their market research and understanding. After the research and development department gathers and screens project proposals, a feasibility discussion with various departments will be arranged by the production director at the monthly operation meetings on such proposals. The project proposals approved will be gathered by the marketing department, which will prepare the plan for promoting the R&D project, subject to the approval of the general manager. Implementation of projects may take forms of in-house research and development, acquisition of patents,

cooperation in technologies, etc. In terms of projects carried out in the form of cooperation in technologies, the research and development department will screen the partners enter into cooperation contracts, and supervise such projects based on the requirements and needs of the Company.

The research and development department is responsible for the research and development activities. A number of tests are required as at the project initiating and up to the product launching. The marketing department will arrange tasting and inspection on the new products and report the information of the tasting and inspection to the research and development department that will make minor adjustments to the product process and formula accordingly. Before the launch of products, the finance department will propose the unit price of the products after taking into account the product formula and prices of raw materials provided by the research and development department, and such price shall be subject to the final approval by the sale department.

12. Projects

The Company sets up the project supervision department, which is responsible for the supervision and implementation of the Company's projects. The Company follows the management process of project approval, design, bid inviting, construction, inspection and acceptance, etc. in operation, and keeps the relevant archives.

Project planning and project budget are required before any increase in fixed assets and carrying out of reconstruction and extension projects, which are subject to the approval of the general manager's office meeting or the Board within authority. At each end of year, the project supervision department will review the project progress. Following the completion of a project, it will arrange the inspection and acceptance of the project and will issue an inspection report upon the completion of a trial production. At the stage of the production, with the coordination of the operation department, the audit department will issue an audit report to the finance department for accounting treatments. The project payment is subject to the approval of the Chairman of the Board.

13. Investment

In order to control the investment risk, the authority for approving an external investment is mainly conferred to the parent company. The shareholders' general meeting and the Board serve as the decision-making body in respect of external investments, and make decisions on external investments of the Company under the authority as defined in the Articles of Association, the Rules and Procedures for the Shareholders' General Meetings and the Rules and Procedures for the Board Meetings. Any other department or individual has no right to make

decisions on external investments. The parent company shall manage the approval, assessment, decision-making, implementation, management, income and disposal of the investment projects.

The finance department of the Company is responsible for gathering the information in financial statements of the investees and ensuring the accuracy of the information in financial accounting. Where there is any indication of impairment, it shall prepare an impairment report, and make accounting treatment subject to approval of the Board of the Company.

14. Guarantee

The Company formulated the Administrative Measures for External Guarantees, which sets out the provisions on guarantee objects, approval authority, information disclosure, etc. The Company and its controlling subsidiaries implement uniform management on external guarantees. The subsidiaries and branches of the Company may not provide external guarantees or mutual guarantees without the approval of the Board. External guarantees of the Company must be considered and approved by the Board or the shareholders' general meeting with the stipulated authority. The Company may not provide external guarantee without the approval of the Board or the shareholders' general meeting.

A guarantee contract/or counter-guarantee contract is required to be entered into in respect of an external guarantee of the Company. A guarantee contract is entered into by the Chairman of the Board or the authorized representative with guaranteed party. All departments and persons participating in an external guarantee are obliged to report the issues related to the external guarantee to the secretary to the Board and provide the information required for information disclosure in a timely manner. The issues in relation to the guarantee are recorded by the secretary to the Board, and used in the disclosures made in the financial reports with approval of the Chairman of the Board.

15. Financial report

(1) Related party and related party transactions

The Company formulated the Related Party Transactions Decision-making Rules of Lanzhou Zhuangyuan Pasture Co., Ltd., pursuant to the requirements of the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China, the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and the Rules Governing the Listing of Stocks on the Shenzhen Stock Exchange. The Rules contain specific provisions on the scope of related party relationships, the type of related party transactions, authorities for decision-making and the consideration procedure, the voting abstention mechanism for related parties and information disclosures, which ensure the related party transactions of the Company are on the principles of openness, fairness and justness.

The Company defined the related party in accordance with relevant laws and regulations, such as the Corporate Governance Code issued by the Hong Kong Stock Exchange, the Rules Governing the Listing of Stocks on the Shenzhen Stock Exchange, the Accounting Standards for Business Enterprises, the Preparation Rules for Information Disclosure by Companies Offering Securities to the Public No.15 and Administrative Measures for Information Disclosure of Listed Companies, in light of its own situation. The Company provides trainings for persons within the scope defined by the related party, such as the shareholders, directors, supervisors and senior management members, and requires them to perform the duty of declaration. The list of related parties is reviewed by the chief financial officer and the secretary to the Board at the end of the year.

(2) Financial accounting

The Company formulated the Financial Management System of Lanzhou Zhuangyuan Pasture Co., Ltd. (蘭州莊園牧場股份有限公司財務管理制度) in accordance with the Accounting Law, the Accounting Standards for Business Enterprises, the Preparation Rules for Information Disclosure and Preparation Rules by the Companies Offering Securities to the Public No.15 and Administrative Measures for Information Disclosure of Listed Companies.

The Company's critical accounting estimates are determined in accordance with the discussion and analysis of the management or the industry practices, and are implemented subject to the consideration and approval of the Board. Adjustments in accounting policies and accounting estimate, required to be made due to changes in the Accounting Standards for Business Enterprises or the Company's businesses, will be submitted by the finance department to the Board for consideration and approval. Impact on financial statements arising from changes in accounting policies or accounting estimates will be dealt with using the methods stipulated in the Accounting Standards for Business Enterprises, and be disclosed in the financial statements. The Company includes the subsidiaries in the consolidated financial statements to prepare the financial statements of the parent company and the consolidated financial statements and the corresponding notes. The consolidated financial statements are prepared in accordance with the Accounting Standards for Business Enterprises. An accounting report is reviewed and signed by the head of the accounting department, the chief accountant and a legal representative, and disclosed upon consideration and approval of the Board.

16. Contract management

The Company formulated the Contract Management System and the Management Measures of Legal Affairs, which regulated the procedures for approval and execution of contracts, and specified the entities, form, content, signing, execution, alteration and termination of contracts, mediation, arbitration and litigation of contract disputes, custody and filing of contracts, to better regulate the contract management, prevent and control the contract risks and efficiently safeguard the legal interests of the Company.

17. Communications of internal information

The Company established various policies, such as the Management System for Inside Information and the Information Management Measures, to regulate the Company's management of information communication activities and safeguard the Company's information safety. The Company specified the collection, processing, communication and scope of communication in relation to the internal control to ensure timely communication of information.

With dedicated IT staff maintaining its websites and information system, the Company is able to ensure swift and smooth communications between the management at different levels, departments, business divisions, and employees and the management, through the modern information platform, such as the internet.

With respect to the communication with regulators, the Company is subject to regular production quality inspection by government authorities to ensure the production safety, and from time to time, subject to the inspection by industrial and commercial authorities and tax bureau. With respect to the communication with the capital market, the Company appointed the secretary to the Board to keep communications with the Hong Kong Stock Exchange, the Shenzhen Stock Exchange and the CSRC. With respect to the communication with investors, in addition to the information published by the Company through statutory information disclosure channels, investors can learn about the information of the Company by means of telephone, e-mail, direct visit and meetings, and enhance their understanding and trust for the Company through communications.

18. Internal audit

The Company established the Internal Audit System of Lanzhou Zhuangyuan Pasture Co., Ltd.. The Company set up the audit department which is responsible for audit affairs within the Company. The audit department is accountable to the Audit Committee, which reports its work to the Board. The audit department is responsible for formulating the work schedule for annual internal audit, which will be subject to the approval of the Board for implementation.

The audit department performs the proper review procedures in accordance with the related requirements, evaluates the effectiveness of the internal control of the Company, and submits an evaluation report of internal control to the Board at least once in a year. Where any significant defects or risks in internal control are identified during the review process by the audit department, it shall promptly report to the Audit Committee. The Company shall disclose in an announcement the significant defects and risks in internal control, the consequences that have been or may be caused, and the measures that have been taken or are to be taken.

(2). Basis of internal control evaluation and identification criteria of internal control defects

The Company organized and conducted internal control evaluation work in accordance with the internal control system.

The Board distinguished the internal control of financial reports from those of non-financial reporting, studied and determined the criteria for identifying internal control defects applicable to the Company as in line with that in last year with reference to factors such as the scale of the Company, the characteristics of the industry, the risk preference and the degree of risk tolerance according to the identification requirements of the Standard System for Enterprises Internal Control in respect of material defects, major defects and general defects. The identification criteria for internal control defects determined by the Company are as follows:

1. Identification criteria for internal control defects in financial reports

Quantitative criteria for identifying internal control defects in financial reports of the Company are as follows:

Criteria for defects type	Material defects	Major defects	General defects
Operating revenue	≥2%	1% (inclusive) —2%	<1%
The latest audited net assets	≥2%	1% (inclusive) —2%	<1%

Qualitative criteria for identifying internal control defects in financial reports of the Company are as follows: Indicators of material defects in financial reports include:

- (1) fraud of directors, supervisors and senior management of the Company;
- (2) the correction of the published financial reports by the Company;
- (3) material misstatement in the current financial reports found by a certified public accountant, but not identified through internal control of the Company;
- (4) Invalid supervision by the Audit Committee and the audit department on the Company's internal control on external financial reports and financial reports.

Indicators of major defects in financial reports include:

- (1) Accounting policies have not been selected and applied in accordance with generally accepted accounting principles;
- (2) No procedures and control measures of anti-fraud having been established;

- (3) No corresponding control mechanism or compensatory control having been set up or implemented for the accounting treatment of unusual or special transactions;
- (4) There exist one or more defects in the control on the final financial reporting process, and the truthfulness and completeness of financial statements cannot be reasonably ensured.

General defects are other internal control defects in addition to the above material defects and major defects.

2. Identification criteria for internal control defects in non-financial reporting

Quantitative criteria for identifying internal control defects in non-financial reporting of the Company are as follows:

Criteria for defect type	Material defects	Major defects	General defects
Operating revenue	≥2%	1% (inclusive) —2%	<1%
Latest audited net assets	≥2%	1% (inclusive) —2%	<1%

Qualitative criteria for identifying internal control defects in non-financial reporting of the Company are as follows: Indicators of material defects in non-financial reporting include:

- (1) Lack of democratic decision-making procedures, such as the lack of “Three Important and One Large” decision-making system;
- (2) Corporate decision-making being not scientific, such as decision-making failure leading to failure in merger and acquisitions;
- (3) Violations against national laws and regulations, such as environmental pollution;
- (4) Loss of management members or technical personnel;
- (5) Frequent negative publicity;
- (6) Lack of system control on, or the system failure of important business;
- (7) Other circumstances having material impact on the Company.

Other circumstances are identified as major defects or general defects according to the extent of impact.

(3) The status of identification of internal control defects and rectification***1. The status of identification of internal control defects in financial reports and rectification***

According to the above identification criteria of internal control defects in financial reports, the Company had no material internal control defects in financial reports during the reporting period.

2. The status of identification of internal control defects in non-financial reporting and rectification

According to the above identification criteria of internal control defects in non-financial reports, the Company found no material internal control defects in non-financial reporting.

IV. EXPLANATIONS ON OTHER SIGNIFICANT EVENTS IN RELATION TO INTERNAL CONTROL

No explanation was made by the Company on other significant events in relation to internal control.

V. THE COMPANY'S SELF-ASSESSMENT ON INTERNAL CONTROL

As a result of the foregoing, the Board of the Company believes that, as at 31 December 2018, the Company has maintained effective internal control in relation to financial statements in all material aspects, which was established pursuant to the "Internal Accounting Control Standards — Basic Standards" issued by the Ministry of Finance of the People's Republic of China.

The explanation on internal control has been approved by the Board of the Company on 30 January 2019.

The Board of
Lanzhou Zhuangyuan Pasture Co., Ltd.
30 January 2019

Stock code: 002910

Stock abbreviation: Zhuangyuan Pasture

Self-inspection Table for the Implementation of Internal Control Rules

Self-inspection list of Implementation of Internal Control Rules		Yes/No/N/A	Description
I. Internal audit operation			
1.	Whether the responsible staff of the internal audit department is a designated one, and nominated by the Board of Directors or its special committee and appointed or removed by the Board of Directors.	Yes	
2.	Whether the Company sets up an internal audit department that is independent from the financial department and deploys dedicated internal auditors.	Yes	
3.	Whether the internal audit department reports to the Board of Directors or its special committee at least quarterly.	Yes	
4.	Whether the internal audit department reviews the following items at least quarterly:	—	—
	(1) Deposit and use of the funds raised	Yes	
	(2) External guarantee	Yes	
	(3) Connected transactions	Yes	
	(4) Securities investment	N/A	
	(5) Venture capital investment	N/A	
	(6) Provision of external financial assistance	N/A	
	(7) Purchase and disposal of assets	Yes	
	(8) External investment	Yes	
	(9) Significant non-operating capital transactions of the Company	Yes	
	(10) Capital transactions between the Company and its directors, supervisors, senior management, controlling shareholders and their connected persons	Yes	
5.	Whether the Board of Directors and its special committees convene a meeting as least quarterly to review and consider the work plans and reports submitted by the internal audit department.	Yes	
6.	Whether special committees report to the Board of Directors at least quarterly with respect to the internal audit work situation, including the progress and quality of internal audit and major issues identified.	Yes	

Self-inspection list of Implementation of Internal Control Rules		Yes/No/N/A	Description
7.	Whether the internal audit department submits the annual internal audit work plan of the following year to the Board of Directors or its special committees within 2 months before the end of each fiscal year, and submits the annual internal audit work report to the Board of Directors or its special committees within 2 months after the end of each fiscal year.	Yes	
II. Internal control of information disclosure			
1.	Whether the Company establishes the information disclosure affairs management system and internal confidentiality system of material information.	Yes	
2.	Whether the Company designates or authorizes the secretary of the Board or the representatives for securities affairs to review investor questions on the interactive trading website (互動易) and timely deal with the same as the case may be.	Yes	
3.	Whether the Company requires a special target to sign a undertaking letter before communicating directly with such target.	Yes	
4.	Whether the Company prepares the Record Form of Investor Relations Activities (《投資者關係活動記錄表》) within 2 trading days after the end of investor relation activities and timely publish this form together with the presentation files used during such activities and documents and other attachments provided (if any) on the interactive trading website (互動易) of the Shenzhen Stock Exchange, and the website of the Company (if any).	Yes	
III. Internal Control of Insider Trading			
1.	Whether the Company establishes the registration management system for persons who may have access to inside information, which stipulates the confidentiality management of inside information and the registration and management of persons who may have access to inside information before public disclosure of inside information in accordance with laws.	Yes	

Self-inspection list of Implementation of Internal Control Rules	Yes/No/N/A	Description
2. Whether the Company completes the Archives of Insiders of Listed Companies (《上市公司內幕信息知情人員檔案》) before public disclosure of inside information in accordance with laws and prepares a memorandum of progress on major events when planning the major events, and whether the relevant personnel signs the memorandum.	Yes	
3. Whether the Company conducts self-inspection on the trading of securities and the derivatives of the Company by persons who may have access to inside information within 5 trading days after the announcement of annual report, semi-annual report and relevant major events. If persons who may have access to inside information are found to conduct insider trading, divulge insider information or advise other persons to trade with inside information, whether the Company has verified and held such persons accountable and reported the relevant situation and processing results to the Shenzhen Stock Exchange and local securities regulatory bureau within 2 working days.	Yes	
4. Whether the Directors, supervisors, senior management and the representatives for securities affairs and spouses of aforesaid persons inform the secretary of the Board in writing of its trading plan before trading shares and its derivatives of the Company.	Yes	
IV. Internal Control of Funds Raised		
1. Whether the Company and the subsidiaries that implement the fund raising projects set up a special account for funds raised and sign the Tripartite Supervision Agreement on Funds Raised (《募集資金三方監管協議》) in a timely manner.	Yes	
2. Whether the internal audit department conducts an audit on the use and deposit of funds raised at least quarterly and expresses an opinion on the authenticity and compliance of the use of funds raised.	Yes	

Self-inspection list of Implementation of Internal Control Rules	Yes/No/N/A	Description
3. Except for financial enterprises, whether the Company has not used the funds raised for the investment in financial investments such as held-for-trading financial assets and available-for-sale financial assets, lending, entrusted wealth management, and has not used the funds raised for venture investment, directly or indirectly investing in companies whose main business is trading securities or investing in pledge, entrusted loans and other investments that disguised the use of funds raised.	Yes	
4. Whether the Company has not used the idle funds raised to temporarily replenish the working capital, has not changed the use of funds raised to permanent supplementary working capital and has not used the over-raised funds to permanently replenish working capital or repay bank loans within 12 months after making the venture investment.	N/A	
V. Internal control of connected transactions		
1. Whether the Company reports the information of connected persons to the Shenzhen Stock Exchange through the column “completion of information: information completion for connected persons” in the business zone of Shenzhen Stock Exchange within 10 trading days after the initial public offering. Whether the Company updates the connected persons and their information within 2 trading days when there is any change in connected persons and their information. Whether the information about the connected persons reported by the Company is true, accurate and complete.	Yes	
2. Whether the Company clarifies the approval authority of the general meeting of shareholders and the Board of Directors in relation to connected transactions, and sets up the corresponding audit procedures and implements the same.	Yes	
3. Whether there is no direct, indirect and disguised misappropriation of funds of the listed company by the Directors, supervisors, senior management, controlling shareholders, actual controllers of the Company and their connected persons.	Yes	

Self-inspection list of Implementation of Internal Control Rules		Yes/No/N/A	Description
4.	Whether the Company strictly executes the approval authority and audit procedures and performs its information disclosure obligations in a timely manner in relation to connected transactions.	Yes	
VI. Internal control of external guarantee			
1.	Whether the Company clarifies the approval authority of the general meeting of shareholders and the Board of Directors for external guarantee matters and the accountability system for violation of such approval authority and audit procedures in the Articles of Association.	Yes	
2.	Whether the Company strictly executes the approval authority and audit procedures and performs its information disclosure obligations in a timely manner in relation to external guarantee.	Yes	
VII. Internal control of material investments			
1.	Whether the Company clarifies the approval authority and audit procedures of the general meeting of shareholders and the Board of Directors for material investments in the Articles of Association, and whether such approval authority and audit procedures are in compliance with laws and regulations and the business rules of Shenzhen Stock Exchange.	Yes	
2.	Whether the Company strictly executes the approval authority and audit procedures and performs its information disclosure obligations in a timely manner in relation to material investments.	Yes	
3.	Whether the Company makes no venture capital investment during the following periods: (1) the period during which the idle funds raised are temporarily used to replenish the working capital; (2) within 12 months after the change of the use of the funds raised to permanent supplementary working capital; (3) within 12 months after the over-raised funds are used to permanently replenish working capital or repay bank loans.	N/A	

Self-inspection list of Implementation of Internal Control Rules		Yes/No/N/A	Description									
VIII. Other major issues												
1.	Whether the controlling shareholders and actual controllers of the Company have signed the Statement and Commitment of Controlling Shareholders and Actual Controllers (《控股股東、實際控制人聲明及承諾書》) and reported the same to Shenzhen Stock Exchange and the Board of Directors of the Company for the record. If there is a change in the controlling shareholders or the actual controllers, whether the new controlling shareholders or actual controllers have completed the signing and filing of the Statement and Commitment of Controlling Shareholders and Actual Controllers (《控股股東、實際控制人聲明及承諾書》) within one month after such change.	Yes										
2.	Whether the Directors, supervisors and senior management have signed and timely updated the Statement and Commitment of Directors, Supervisors and Senior Management (《董事、監事、高級管理人員聲明及承諾書》) and report the same to Shenzhen Stock Exchange and the Board of Directors of the Company for the record.	Yes										
3.	In addition to attending Board meetings, whether the independent directors guarantee a reasonable time each year to conduct on-site inspections on the Company’s production and operation, construction and implementation of management and internal control systems as well as the execution of the resolutions of the Board of Directors.	Yes	<table><tr><th>Name of independent directors</th><th>number of days</th></tr><tr><td>Liu Zhijun (劉志軍)</td><td>12</td></tr><tr><td>Zhao Xinmin (趙新民)</td><td>12</td></tr><tr><td>Wong Cho Hang Stanley (黃楚恒)</td><td>10</td></tr></table>	Name of independent directors	number of days	Liu Zhijun (劉志軍)	12	Zhao Xinmin (趙新民)	12	Wong Cho Hang Stanley (黃楚恒)	10	
Name of independent directors	number of days											
Liu Zhijun (劉志軍)	12											
Zhao Xinmin (趙新民)	12											
Wong Cho Hang Stanley (黃楚恒)	10											

Board of Directors of Lanzhou Zhuangyuan Pasture Co., Ltd.
30 January 2019

Lanzhou Zhuangyuan Pasture Co., Ltd.

AUDIT REPORT ON INTERNAL CONTROL

Rui Hua Zhuan Shen Zi [2019] No. 62010001

Content

1. AUDIT REPORT ON INTERNAL CONTROL	1
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AUDIT REPORT ON INTERNAL CONTROL

Rui Hua Zhuan Shen Zi [2019] No. 62010001

To all shareholders of Zhuangyuan Pasture Co., Ltd.:

In accordance with the relevant requirements of the Audit Guidelines on Corporate Internal Control and the code of practice of Chinese certified public accountants, we have audited the effectiveness of the internal control over the financial report of Lanzhou Zhuangyuan Pasture Co., Ltd. (the “Zhuangyuan Pasture”) for the year ended 31 December 2018.

1. Zhuangyuan Pasture’s responsibility for internal control

It is the responsibility of the board of directors of Zhuangyuan Pasture to establish sound internal control, to implement it effectively and evaluate its effectiveness in accordance with the requirements of the Basic Standards for Enterprise Internal Control, Application Guidelines on Corporate Internal Control and Evaluation Guidelines on Corporate Internal Control.

2. Responsibilities of certified public accountants

Our responsibilities are to express an audit opinion on the effectiveness of internal control over the Financial Report after we conduct an audit, and to disclose the material defects that have come to our attention in the internal control over non-financial reporting.

3. Inherent limitations on internal control

Internal control has its inherent limitations, and is exposed to the possibility of being incapable of preventing or detecting misreporting. Moreover, as changes in circumstances may render internal control inappropriate or reduce the degree of compliance with control policy or procedures, it is risky, to a certain extent, to predict the effectiveness of internal control in the future based on the results of an internal control evaluation.

4. Auditors’ opinion on the internal control over financial reporting

We believe that Zhuangyuan Pasture has maintained effective internal control over financial reporting in all material respects on 31 December 2018 in accordance with the Basic Standards for Enterprise Internal Control and related regulations.

(There is no content on this page)



Ruihua Certified Public Accountants
(Special General Partnership)

Certified Public Accountant PRC:



Beijing, China

Certified Public Accountant PRC:



30 January 2019

No.: 105411938

**Business License**

(Copy) (5-1)

Unified social credit code: 9111010856949923XD

Name	Ruihua Certified Public Accountants (Special General Partnership)
Type	Special General Partnership
Principal place of business	4/F, Building 2, No. 16, Xisihuanzhong Road, Haidian District West, Beijing
Executive partner	Other shareholders (Yang Ronghua, Liu Guibin and Feng Zhong are appointed as representatives)
Established on	22 February 2011
Partnership term	From 22 February 2011 to 21 February 2061
Business scope	audit the financial statements of enterprises, issue audit reports; verify corporate capital, issue capital verification reports; handle audit matters in merger, division, and liquidation; issue relevant reports; basic construction annual financial statements audit; agency accounting; accounting consulting, tax consulting, management consulting, accounting training; other businesses as stipulated by laws and regulations. (Enterprises shall independently select operating projects and carry out business activities in accordance with the laws; projects that are subject to approval according to the laws are not allowed to conduct before being approved by relevant authority; and shall not engage in the business activities prohibited and restricted by the city's industrial policy.)



Scan the QR code online for details

Registered with:

Note: The Company shall submit the previous year's annual announcement through the Enterprise Credit Information Publicity System from 1 January to 30 June each year for publication.

13 December 2018

Website of the Enterprise Credit Information Publicity
System: qyxy.baic.gov.cn

Produced by the State Administration for Industry and
Commerce of the People's Republic of China

Certificate Serial number: 000417



Accounting firm
Securities and Futures Related Business License

Reviewed and approved by the Ministry of Finance and the China
Securities Regulatory Commission

Ruihua Certified Public
Accountants
(Special General Partnership)

Conduct securities and futures
related business

Chief partner: Liu Guibin

Certificate No.: 17

Issued on: 5 July 2018

The certificate is valid until 5 July 2020

Certificate serial number: 000146

Statements

- 1. The Certificate of Practice of Accounting Firm is a certificate proving that the holder has been approved by the finance department in accordance with the laws and is permitted to perform the statutory business of the certified public accountant.
- 2. If there is change in the items recorded in the Certificate of Practice of Accounting Firm, they shall apply to the finance department for renewal.
- 3. The Certificate of Practice of Accounting Firm shall not be forged, altered, leased, lent or transferred.
- 4. If the accounting firm terminates practice license or the practice license is cancelled, it shall return the Certificate of Practice of Accounting Firm to the finance department.

Issued by: Beijing Municipal Finance Bureau

13 June 2018

Produced by the Ministry of Finance of the People's Republic of China



Accounting firm

Practicing certificate

Name Ruihua Certified Public Accountants
(Special General Partnership)

Chief partner: Liu Guibin

Chief accountant: 4/F, Building 2, No. 16, Xisihuanzhong Road, Haidian District West, Beijing

Place of business: Special General Partnership

Form of organization: 11010130

Practice certificate number: Jing Cai Kuai Xu Ke [2011]0022

Approved practice number: 14 February 2011

Approved date of practice:



Full name	Li Zongyi
Sex	Male
Date of birth	16 March 1970
Working unit	Gansu Branch of Ruihua Certified Public Accountants
Identity card No.	620103700316301



The annual renewal for the previous year has been completed and a new certificate is issued to replace the old one.

Annual Renewal Registration

This certificate is valid for another year after this renewal.

No. of Certificate: **620100010015**

Authorized Institute of CPAs: **Gansu Institute of Certified Public Accountants**

Date of Issuance: **23 November 2016**





Full name	Zhang Youquan
Sex	Male
Date of birth	18 April 1971
Working unit	Gansu Branch of Ruihua Certified Public Accountants
Identity card No.	622223710418081



The annual renewal for the previous year has been completed and a new certificate is issued to replace the old one.

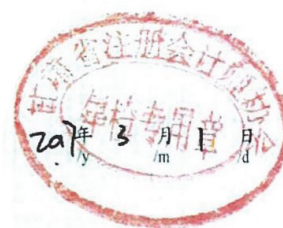
Annual Renewal Registration

This certificate is valid for another year after this renewal.

No. of Certificate: **620100010023**

Authorized Institute of CPAs: **Gansu Institute of Certified Public Accountants**

Date of Issuance: **23 November 2016**



1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Hong Kong 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**(a) Interests and short positions in the securities, underlying shares or debentures of the Company and its associated corporations of the Directors, Supervisors and chief executives**

As at the Latest Practicable Date, the interests and short positions of the Directors, Supervisors, the chief executives and their respective associates of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) to be entered in the register referred to therein pursuant to section 352 of the SFO; or (iii) to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Hong Kong Listing Rules, were as follows:

Name of Director	Nature of Interest	Total Number of Shares	Approximate	Approximate
			percentage of total issued A Shares	percentage in the issued share capital of the Company
A Shares				
Ma Hongfu (Note 2)	Beneficial owner	32,197,400(L)	21.15%	17.19%
	Interested in controlled corporation	45,894,700(L)	30.15%	24.50%

Notes:

(1) All interests in Shares were long positions.

(2) Mr. Ma Hongfu holds 97.38% equity interests in Lanzhou Zhuangyuan Investment Co., Ltd.* (蘭州莊園投資股份有限公司) (“Zhuangyuan Investment”) and 39.44% equity interests in Gansu Lucky Cow Investment Co., Ltd.* (甘肅福牛投資有限公司) (“Lucky Cow”). Under the SFO, he is deemed to be interested in the Shares held by Zhuangyuan Investment and Lucky Cow.

Save as disclosed above, as at the Latest Practicable Date, to the best knowledge of the Directors, Supervisors and the chief executives of the Company, none of the Directors, Supervisors or the chief executives of the Company had or was deemed to have any interests and short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) to be entered in the register referred to therein pursuant to section 352 of the SFO; or (iii) to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Hong Kong Listing Rules.

(b) Interests in assets, contracts or arrangement of the Group of the Directors and Supervisors

As at the Latest Practicable Date, none of the Directors and Supervisors had any interest, either directly or indirectly, in any assets which have been, since 31 December 2018, being the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of or leased by any member of the Group.

Save for the transactions contemplated hereunder and transactions which were disclosed pursuant to the Hong Kong Listing Rules, there was no contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date in which any Director is materially interested and which is significant in relation to the business of the Group.

(c) 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)).

(d) Other disclosures under the SFO

As at the Latest Practicable Date and save as disclosed above, none of the Directors was a director or employee of a company which had, or was deemed to have, an interest or short position in the Shares or underlying shares which would fall to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. COMPETING INTERESTS OF DIRECTORS

As at the Latest Practicable Date, to the best knowledge of the Directors, none of the Directors or their respective associates had interest in any business which competed or was likely to compete, either directly or indirectly, with the business of the Group.

4. MATERIAL ADVERSE CHANGE

The Directors confirm that, as at the Latest Practicable Date, there were no material adverse changes in the financial or trading positions of the Company since 31 December 2018, the date to which the latest published audited financial statements of the Company were made up.

5. MISCELLANEOUS

- (a) The registered office of the Company is situated at Sanjiaocheng Village, Sanjiaocheng Town, Yuzhong County, Lanzhou City, PRC.
- (b) The principal place of business of the Company in Hong Kong is situated at Units 3306-12, 33/F, Shui On Centre, Nos. 6-8 Harbour Road, Wanchai, Hong Kong.
- (c) 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 The Institute of Chartered Secretaries and Administrators, and Ms. Zhang Qianyu.

6. LANGUAGE

In the event of inconsistency, the English text of this circular will prevail over the Chinese text.