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**Lanzhou Zhuangyuan Pasture Co., Ltd.\***

**蘭州莊園牧場股份有限公司**

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

**(Stock Code: 1533)**

**PROPOSED NON-PUBLIC ISSUANCE OF A SHARES  
UNDER SPECIFIC MANDATE**

The Board has approved the proposed Non-public Issuance on 5 December, 2019. Pursuant to the provisions under the Company Law, Securities Law, Administrative Measures for Issuance, Implementation Rules, the Regulation Questions and Answers and other relevant laws, regulations and normative documents, the detailed plan of the Non-public Issuance is as follows:

**A. Class and nominal value of shares to be issued**

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

**B. Method and time of Issuance**

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

### **C. Target subscribers and subscription method**

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

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

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

### **D. Issue price and pricing principles**

The price determination date of the Non-public Issuance shall be the first day of the issue period of the Non-public Issuance of the Company. The issue price of the Issuance shall be no less than 90% of the average trading price of the A Shares of the Company for the 20 trading days preceding the price determination date.

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

#### **E. Issue Size**

The number of shares issued shall not exceed 38,000,000 Shares (including the figure stated), the total number of Shares issued shall not exceed 20% of the total share capital of the Company before the Issuance, and the total proceeds raised shall not exceed RMB380,000,000 (including the figure stated, without deducting the issuance costs). Subject to the above limit, the Board advises the Shareholders' Meetings to authorize the Board to determine the final issuance number through negotiation with the sponsor (the lead underwriter) based on the actual situation of issuance. In case of occurrence of ex-rights or ex-dividend events during the period from the date of announcement of the Board resolution regarding the Non-public Issuance to the date of issuance such as distribution of dividends, issuance of bonus shares, converting capital reserve into share capital, the number of Shares issued will be adjusted accordingly.

#### **F. Amount and the use of proceeds**

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

Unit: RMB10,000

No.	Name of project	Total investment amount	Financed by the fund raised
1	10,000 dairy breeding cycle industrial park project in Jinchuan District	49,834.57	34,000.00
2	Repayment of bank loan	4,000.00	4,000.00
<b>Total</b>		<u>53,834.57</u>	<u>38,000.00</u>

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

#### **G. Lock-up period**

The lock-up period for the Non-public Issuance is 12 months commencing from the closing date of the Non-public Issuance. After the end of lock-up period, the transactions under the Non-public Issuance shall be conducted in accordance with the relevant regulations of the CSRC and the Shenzhen Stock Exchange.

#### **H. Listing venue**

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

#### **I. Arrangement of accumulated undistributed profits**

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

#### **J. Validity period**

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

The Issuance is subject to the approval of the CSRC. The Issuance will take place pursuant to the specific mandate to be sought at the EGM, the A Shareholders' Class Meeting and the H Shareholders' Class Meeting, and take effect upon the approval of the Shareholders at the EGM, the A Shareholders' Class Meeting and the H Shareholders' Class Meeting by way of a special resolution. The detailed terms on the Issuance (including the issue price and issue size) will be announced separately by the Company upon final determination.

## IMPACT OF THE ISSUANCE ON THE COMPANY'S SHAREHOLDING STRUCTURE

For reference and illustration purposes only, assuming that there are no changes to the total issued share capital of the Company prior to the completion of the Issuance and that subject to the regulatory requirements of the places where the Shares of the Company are listed, a maximum of 38,000,000 A Shares are issued under the Issuance (which represents approximately 19.93% of the total issued share capital of the Company as at the date of this announcement and approximately 16.62% of the total issued share capital of the Company as enlarged by the issuance of the A Shares under the Issuance), the shareholding structure of the Company immediately before and after completion of the Issuance is set out as follows:

		Immediately before completion of the Issuance		Immediately after completion of the Issuance	
	Capacity/ Nature of interest	Number of Shares	Approximate percentage of the Company’s total issued share capital	Number of Shares	Approximate percentage of the Company’s total issued share capital
<b>A Shares</b>					
Mr. Ma Hongfu	Beneficial owner	32,197,400	16.89%	32,197,400	14.08%
(Note 1)	Interest of controlled corporation	45,894,700	24.07%	45,894,700	20.07%
Other A Shareholders		77,458,500	40.62%	77,458,500	33.87%
New A Shares to be issued under the Issuance		—	—	38,000,000	16.62%
<b>Sub-Total of A Shares</b>		155,550,600	81.58%	193,550,600	84.64%
<b>H Shares</b>		35,130,000	18.42%	35,130,000	15.36%
<b>Total:</b>		190,680,600	100%	228,680,600	100%

*Note:*

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

## **PUBLIC FLOAT**

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

Assuming that there are no changes to the total issued Shares of the Company (excluding the Non-public Issuance) from the date of this announcement to the date immediately preceding the completion of the Non-public Issuance, and all of a maximum of 38,000,000 new A Shares to be issued under the Non-public Issuance are held by public Shareholders, immediately after the completion of the Non-public Issuance, the total public float in respect of the A Shares and H Shares as a whole will be approximately 65.85%, among which, the H Share public float will be approximately 15.36%. The Board expects that the Company would still be able to maintain sufficient public float to meet the minimum requirement of the Hong Kong Listing Rules.

## **REASONS FOR AND BENEFITS OF THE ISSUANCE**

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

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

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

## **CAPITAL RAISING ACTIVITIES**

On 31 January 2019, the Board approved the proposed issuance of A Share convertible bonds. On 23 May 2019, resolutions in relation to the issuance of A Share convertible bonds were considered and passed at the 2019 first extraordinary general meeting of the Company. On 23 July 2019 the Company submitted the application to CSRC for withdrawal of the application documents for public issuance of A Share convertible bonds.

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

## **EXTRAORDINARY GENERAL MEETING, THE A SHAREHOLDERS' CLASS MEETING AND THE H SHAREHOLDERS' CLASS MEETING**

The Issuance is to be made pursuant to the specific mandate to be obtained from the Shareholders at the EGM, the A Shareholders' Class Meeting and the H Shareholders' Class Meeting and is subject to the approval from the CSRC.

A circular containing, amongst other things, details of the Issuance and other relevant resolutions, together with the notices of the EGM, the A Shareholders' Class Meeting and the H Shareholders' Class Meeting, will be despatched to the Shareholders in accordance with the Hong Kong Listing Rules and the Articles of Association in due course.

As the Issuance is subject to the fulfilment of certain conditions precedent, it may or may not proceed to completion. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company. Further announcement(s) regarding the detailed terms of the Issuance will be made by the Company as and when applicable. This announcement is published for information purposes only and does not constitute an invitation or an offer to acquire, purchase or subscribe for the securities of the Company.

## DEFINITIONS

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

“A Share(s)”	the domestic-listed ordinary shares in the share capital of the Company with a nominal value of RMB1.00 each, which have been listed on the Shenzhen Stock Exchange
“A Shareholders’ Class Meeting”	the 2020 first A Shareholders’ class meeting of the Company to be convened or any adjournment thereof
“Administrative Measures for Issuance”	the Administrative Measures for the Issuance of Securities by Listed Companies
“Articles of Association”	the articles of association of the Company, as amended from time to time
“Board”	the board of directors of the Company
“Board Meeting”	the board meeting of the Company convened on Thursday, 5 December 2019
“Company”	Lanzhou Zhuangyuan Pasture Co., Ltd.* (蘭州莊園牧場股份有限公司), a joint stock company incorporated in the People’s Republic of China with limited liability, the H Shares of which have been listed and traded on the main board of the Hong Kong Stock Exchange (stock code: 1533) and A shares of which have been listed and traded on the Shenzhen Stock Exchange (stock code: 002910)
“Company Law”	the Company Law of the People’s Republic of China
“CSRC”	China Securities Regulatory Commission
“Director(s)”	the director(s) of the Company
“EGM” or “Extraordinary General Meeting”	the 2020 first extraordinary general meeting to be convened by the Company to consider, and if thought fit, approve, among other things, the Non- public Issuance
“H Share(s)”	overseas listed foreign ordinary shares of RMB1.00 each in the share capital of the Company which are listed and traded in HK dollars on the Hong Kong Stock Exchange
“H Shareholders”	holders of H Shares



“H Shareholders’ Class Meeting”	the 2020 first H Shareholders’ class meeting to be convened or any adjournment thereof
“HK dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (as amended from time to time)
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Implementation Rules”	the Implementation Rules for the Non-public Issuance of Stocks by Listed Companies
“Non-public Issuance” or “Issuance”	the proposed non-public issuance of not more than 38,000,000 new A Shares by the Company
“PRC”	the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Regulation Questions and Answers”	Issuance Regulation Questions and Answers — Regulatory Requirements regarding Guiding and Regulating Financing Activities of Listed Companies (Revision)
“RMB”	Renminbi, the lawful currency of the PRC
“Securities Law”	the Securities Law of the People’s Republic of China
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each, including A Shares and H Shares
“Shareholder(s)”	the shareholder(s) of the Company

“Shareholders’ Meetings”      the Extraordinary General Meeting, the A Shareholders’  
Class Meeting and the H Shareholders’ Class Meeting

“%”      per cent

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

Lanzhou, the PRC, 5 December 2019

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

\* For identification purpose only