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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 company incorporated in the People's Republic of China)

(Stock code: 1533)

CLARIFICATION ANNOUNCEMENT

Reference is made to the annual report for the year ended 31 December 2018 (the “**Annual Report**”) of Lanzhou Zhuangyuan Pasture Co., Ltd. (the “**Company**”) published on 29 April 2019. Unless otherwise stated, capitalised terms used herein shall have the same meanings as those defined in the Annual Report.

REASONS FOR THE AMENDMENT OF THE 2018 ANNUAL REPORT OF H SHARES:

The Company has prepared the 2018 Financial Statement in accordance with the Circular of the Ministry of Finance on Revising and Issuing the Format of General Enterprise Financial Statements for 2018 (CK No. [2018]15) and its interpretation, and the requirements of Enterprise Accounting Standards. Due to improper understanding of the Company when preparing the 2018 Financial Statement, the cash from repayment of advances by related parties and third parties reflected in “Proceeds from other investment activities” under the Cash Flow Statement of 2017 were mistakenly presented in “Proceeds from other operating activities”, and the cash paid for advances to related parties and third parties reflected in “Payment for other investing activities” were mistakenly presented in “Payment for other

operating activities”. In addition, the Company has prepared the 2018 Statements in accordance with the provisions and adjusted the presentation of the relevant financial statements for the previous period with retrospective adjustment method, but has not reported the impact of the accounting policy changes on the Consolidated Cash Flow Statement and Cash Flow Statement of the Parent Company in the notes, and therefore correction is made hereby. After verification, correction is needed for certain matters and contents in the full text and highlights of the 2018 Annual Report, particulars of which are as follows (with the corrections underlined):

I. P87

Item	2018	2017
I. Cash flow from operating activities:		
Proceeds from sale of goods and rendering of services	708,775,617.46	724,638,501.25
<u>Proceeds from other operating activities</u>	<u>36,206,779.46</u>	<u>16,241,234.39</u>
<u>Sub-total of cash inflows from operating activities</u>	<u>744,982,396.92</u>	<u>740,879,735.64</u>
Payment for goods and services	487,287,131.67	423,462,498.87
Payment to and for employees	56,115,392.06	49,350,895.16
Payment of various taxes	35,012,712.36	43,823,357.44
<u>Payment for other operating activities</u>	<u>71,398,435.81</u>	<u>90,603,186.32</u>
<u>Sub-total of cash outflows from operating activities</u>	<u>649,813,671.90</u>	<u>607,239,937.79</u>
<u>Net cash flow from operating activities</u>	<u>95,168,725.02</u>	<u>133,639,797.85</u>
II. Cash flow from investment activities:		
Net proceeds from disposal of fixed assets, intangible assets and other long-term assets	14,894,076.99	28,009,688.42
<u>Proceeds from other investment activities</u>	<u>21,931,273.82</u>	<u>32,845,211.54</u>
<u>Sub-total of cash inflows from investing activities</u>	<u>36,825,350.81</u>	<u>60,854,899.96</u>
Payment for acquisition of fixed assets, intangible assets and other long-term assets	212,545,812.60	73,039,629.77
Cash paid for investments	200,892,400.00	
<u>Payment for other investing activities</u>	<u>14,300,079.98</u>	<u>25,793,838.13</u>
<u>Sub-total of cash outflow from investing activities</u>	<u>427,738,292.58</u>	<u>98,833,467.90</u>
<u>Net cash flow from investing activities</u>	<u>-390,912,941.77</u>	<u>-37,978,567.94</u>

II. P97

Item	2018	2017
I. Cash flow from operating activities:		
Proceeds from sale of goods and rendering of services	535,253,810.86	578,379,939.50
<u>Proceeds from other operating activities</u>	<u>60,381,681.89</u>	<u>11,539,046.24</u>
<u>Sub-total of cash inflow from operating activities</u>	<u>595,635,492.75</u>	<u>589,918,985.74</u>
Payment for goods and services	500,674,586.90	354,868,428.05
Payment to and for employees	30,820,047.96	28,674,914.30
Payment of various taxes	29,276,081.15	35,328,324.25
<u>Payment for other operating activities</u>	<u>87,261,930.82</u>	<u>52,468,150.81</u>
<u>Sub-total of cash inflow from operating activities</u>	<u>648,032,646.83</u>	<u>471,339,817.41</u>
<u>Net cash flow from operating activities</u>	<u>-52,397,154.08</u>	<u>118,579,168.33</u>
II. Cash flow from investment activities:		
Proceeds from the return of investment		
Proceeds from investment income		
Net proceeds from disposal of fixed assets, intangible assets and other long-term assets	8,345,032.49	1,355,865.71
Net proceeds from disposal of subsidiaries and other business units		
<u>Proceeds from other investment activities</u>	<u>21,931,273.82</u>	<u>28,049,595.12</u>
<u>Sub-total of cash inflow from investing activities</u>	<u>30,276,306.31</u>	<u>29,405,460.83</u>
<u>Payment for acquisition of fixed assets, intangible assets and other long-term assets</u>	<u>170,618,329.06</u>	<u>11,949,603.62</u>
Cash paid for investments	201,892,400.00	
<u>Payment for other investing activities</u>	<u>14,300,079.98</u>	<u>25,793,838.13</u>
<u>Sub-total of cash outflow from investing activities</u>	<u>386,810,809.04</u>	<u>37,743,441.75</u>
<u>Net cash flow from investing activities</u>	<u>-356,534,502.73</u>	<u>-8,337,980.92</u>

III. P142

Addition: E. Consolidated Cash Flow Statement

F. Cash Flow Statement of the Parent Company

E. Consolidated Cash Flow Statement

Item	Before adjustment	After adjustment
Cash flow from operating activities:		
Proceeds from other operating activities		2,054,000.00
Cash flow from investment activities:		
Proceeds from the return of Government grants	2,054,000.00	

F. Cash Flow Statement of the Parent Company

Item	Before adjustment	After adjustment
Cash flow from operating activities:		
Proceeds from other operating activities		634,000.00
Cash flow from investment activities:		
Proceeds from the return of Government grants	634,000.00	

IV. P182

(1) Proceeds from other operating activities

Unit: yuan

Item	Amount incurred of the period	Amount incurred in the previous period
Earnest money	3,843,318.13	1,697,801.95
Accounts payable received from E-commerce platform	6,168,354.15	
Government grants	9,232,626.00	<u>13,569,676.07</u>
Others	<u>16,962,481.18</u>	<u>973,756.37</u>
Total	<u>36,206,779.46</u>	<u>16,241,234.39</u>

(2) Payment for other operating activities

Unit: yuan

Item	Amount incurred of the period	Amount incurred in the previous period
Office travelling expenses	3,601,557.73	16,205,672.72
Maintenance fees	5,175,333.21	13,210,825.97
Freight and miscellaneous charges	16,199,077.56	15,461,305.53
Professional service fees	4,480,071.75	10,478,455.82
Promotional fees	2,960,399.08	7,779,876.35
Others	38,981,996.48	<u>27,467,049.93</u>
Total	71,398,435.81	<u>90,603,186.32</u>

V. P183

(3) Proceeds relating to other investing activities

Unit: yuan

Item	Amount incurred of the period	Amount incurred in the previous period
Recovery of earnest money	10,746,290.99	18,247,547.14
Interests income from bank deposits	2,630,940.83	2,263,128.18
<u>Cash from repayment of advances by related parties and third parties</u>	<u>8,554,042.00</u>	<u>12,334,536.22</u>
<u>Total</u>	<u>21,931,273.82</u>	<u>32,845,211.54</u>

(4) Payment for other investing activities

Unit: yuan

Item	Amount incurred of the period	Amount incurred in the previous period
Increase in pledged deposit	14,300,079.98	24,993,838.13
<u>Cash paid for advances to related parties and third parties</u>		<u>800,000.00</u>
<u>Total</u>	<u>14,300,079.98</u>	<u>25,793,838.13</u>

VI. P184

Supporting Information	Amount of the period	Amount of the previous period
1. Adjustment of net profit to cash flow of operating activities	—	—
Net profit	63,533,162.18	68,351,885.17
Plus: asset impairment loss	640,950.45	-799,557.21
Fixed assets depreciation, oil and gas assets consumption and bearer biological assets depreciation	51,821,832.03	43,223,905.86
Intangible assets amortization	1,284,624.96	723,422.81
Long-term deferred expenses amortization	1,918,064.24	482,674.97
Loss on disposal of fixed assets, intangible assets and other long-term assets (“-” for gains)	-2,636,907.21	276,141.49
Loss on scrapping of fixed assets (“-” for gains)	1,068,895.05	
Loss on changes to the fair value (“-” for gains)	9,036,609.17	856,494.49
Financial expenses (“-” for gains)	23,555,745.80	18,335,840.26
Loss on investment (“-” for gains)		
Decrease of deferred income tax assets (“-” for increase)	-2,559,517.16	-769,395.99
Increase of deferred income tax liabilities (“-” for decrease)	6,297,564.28	
Decrease of inventories (“-” for increase)	-17,842,435.75	3,978,070.99
Decrease of operating items receivable (“-” for increase)	-19,060,549.91	-11,381,851.75
Increase of operating items payable (“-” for decrease)	-20,415,604.67	14,373,049.65
Others	-1,473,708.44	-4,010,882.89
<u>Net amount of cash flow generated from operating activities</u>	<u>95,168,725.02</u>	<u>133,639,797.85</u>
2. Major investment and financing activities irrelevant to cash income and expenses	—	—
Conversion of debts into capital		
Convertible corporate bonds to become due within one year		
Acquisition of fixed assets under finance leases		
3. Net changes to cash and cash equivalents	—	—
Balance of cash at the end of the period	388,791,101.39	736,896,081.76
Less: balance of cash at the beginning of the period	736,896,081.76	273,352,017.83
Plus: balance of cash equivalents at the end of the period		
Less: balance of cash equivalents at the beginning of the period		
Net increase of cash and cash equivalents	-348,104,980.37	463,544,063.93

VII. P98

Plus: balance of cash and cash equivalents at the beginning of the period	<u>674,479,122.17</u>	152,659,036.55
VI. Balance of cash and cash equivalents at the end of the period	<u>287,852,443.21</u>	<u>674,479,122.17</u>

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, 10 June 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*