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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)**

## **SUPPLEMENTAL 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 and the announcement of the Company dated 10 June 2019 (the “**Announcement**”). Unless otherwise stated, capitalised terms used herein shall have the same meanings as those defined in the Annual Report.

Further to the information disclosed in the Annual Report and Announcement, the Company wishes to provide to the shareholders of the Company and the potential investors with the following supplementary information:

### **NATURE OF THE ADVANCES**

The advances as disclosed in the Announcement were the advances to the local dairy farmers to finance their purchases of dairy cows as discussed below.

As disclosed in the Annual Report, the Company owned and operated six dairy farms (the “**Self-operated Dairy Farms**”) and collectively operated three dairy farms through cooperation with local dairy farmers (the “**Collectively-operated Dairy Farms**”) as at 31 December 2018. In respect of the Self-operated Dairy Farms, the Group breeds its own cows and is fully responsible for the management of the farms in every aspect. For the Collectively-operated Dairy Farms, the Group owns the dairy farms and facilities and is responsible for the general management of the farms; while local dairy farmers own the cows, attend to the day-to-day caring of the cows following our farm practices and supply raw milk to us exclusively at a contracted price. Under the operation model of the Collectively-operated Dairy Farms, we are able to utilise the dairy cows owned by local dairy farmers to expand our operation scale of dairy farms and guarantee the source of raw milk and its quality through our quality control procedures without incurring initial purchase cost of heifers or calves and the respective breeding costs. By this reason, we adopt the operation model of the Collectively-operated Dairy Farms which is complementary our Self-operated Dairy Farms. In order to attract quality and experienced dairy farmers to cooperate with us,

we may grant advances to some of these farmers on a case by case basis for them to purchase dairy cows. We will require the contracted farmers to pledge to us the dairy cows purchased by our advances and the repayment of such advances would be partially satisfied offsetting off the raw milk payment due to them. Apart from the advances, we do not provide the contracted farmers with incentives or financial support in others forms. It is not an uncommon practice for dairy companies to adopt the operation model of the collectively-operated dairy farms in the People’s Republic of China (the “**PRC**”).

## **PARTIES INVOLVED**

The parties involved were all individual local dairy farmers, who were not connected persons or their associates of the Company.

## **DETAILS OF RECLASSIFICATION**

The Company submitted its Annual Report to the Shenzhen Stock Exchange on 30 January 2019. On the even date, the Company has also submitted the big data package of the Company’s financial information according to the requirements under the Stock Listing Rules of the Shenzhen Stock Exchange. In the afternoon on 29 May 2019, the technical staff of the Shenzhen Stock Exchange called and informed the Company that they have noticed that the figures as shown in the comparison financial information for the financial year ended 31 December 2017 as disclosed in the Annual Report was different from the financial information for the same financial year as disclosed in the annual report for the year ended 31 December 2017, and have requested the Company to provide explanation for such discrepancies. The Company conducted an internal investigation immediately after the call and revealed the mistake as further discussed below. The Company verbally replied to the Shenzhen Stock Exchange in respect of the mistake on 30 May 2019 and published the Announcement dated 10 June 2019 on both websites of the Shenzhen Stock Exchange and the Stock Exchange of Hong Kong Limited.

In respect of the advances to third parties, the classification for the financial year ended 31 December 2017 was correct, which should be under the categories of the proceeds relating to or payment for other investing activities. In the preparation of its management accounts for the year ended 31 December 2018, the Company inadvertently changed the classification in respect of its advances to third parties from the categories of the proceeds relating to or payment for other investing activities to the categories of proceeds from or payment for other operating activities due to a mistake of the Company’s accounting staff. Furthermore, in preparing comparison of the financial information between the year ended 31 December 2018 and the year ended 31 December 2017, the Company’s accounting staff had also made the same mistake by inadvertently changing the classification in respect of its advances to third parties as describe above for the financial year ended 31 December 2017. In the meanwhile, the Company has also changed its auditor from KPMG Huazhen LLP to Ruihua Certified Public Accountants (Special General Partnership) (“**Ruihua**”) for the financial year ended 31 December 2018. Therefore, such mistake was not revealed timely before the publication of Annual Report.

The government grants was moved from the category of “cash flows from investing activities” to the category of “proceeds from other operative activities” for the financial year ended 31 December 2018, which was an amendment according to the interpretation on the Circular on Revising and Issuing the Format of General Financial Statement for 2018 (CK No. [2018]15) (關於2018年度一般企業財務報表格式有關問題的解讀) issued by the Ministry of Finance of the People’s Republic of China on 7 September 2018 (the “**Interpretation**”). Pursuant to the Interpretation, the government grants actually received by the enterprises, no matter whether the government grants are related to assets or related to incomes, shall be presented as cash flows from operative activities when preparing the cash flow statements. As such, the government grants were presented as proceeds from other operative activities in Annual Report. However, due to a mistake of the Company’s accounting staff, the Company has not reported in the Annual Report about the impact of the accounting policy changes on the Consolidated Cash Flow Statement in the notes of the financial statements. The Company is now taking appropriate steps to rectify the issues arisen from such mistake.

The Company has discussed with its auditor, Ruihua, soon after the Company had received the call from the Shenzhen Stock Exchange before the publication of the Announcement. Ruihua has confirmed in writing that the clarification and reclassification made in the Announcement has immaterial impact on the Company’s business operation and financial condition.

This supplemental announcement is supplemental to and should be read in conjunction with the Announcement.

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, 11 July 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*