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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)

CONTINUING CONNECTED TRANSACTIONS
SILAGE PURCHASE AGREEMENT

THE SILAGE PURCHASE AGREEMENT

Reference is made to the Announcement in which the Board announced that at the Board meeting held on 5 August 2021, the Board passed the resolution for approving, amongst others, the additional estimation of ordinary connected transactions of the Company for 2021, agreeing to the transaction with Nongken Jinchang. On 19 August 2021, the Company, entered into the Silage Purchase Agreement with Nongken Jinchang in relation to the possible purchase of silage from Nongken Jinchang for the year ending 31 December 2021.

LISTING RULES IMPLICATIONS

Nongken Jinchang is a wholly owned subsidiary of Gansu Nongken Group. Gansu Nongken Group is the Controlling Shareholder and is interested in 68,826,365 A Shares, representing approximately 34.89% and 29.62% of (i) the total issued A Shares; and (ii) the total issued A Shares and H Shares, respectively. Accordingly, Nongken Jinchang is an associate of a connected person of the Company under Chapter 14A of the Listing Rules. The transactions contemplated under the Silage Purchase Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios in respect of the Annual Purchase Cap under the Silage Purchase Agreement exceeds 0.1% but less than 5%, the continuing connected transactions contemplated under the Silage Purchase Agreement are subject to the reporting, announcement and annual review requirements but exempted from circular (including independent financial advice) and independent Shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

Reference is made to the Announcement in which the Board announced that at the Board meeting of the Company held on 5 August 2021, the Board passed the resolution for approving, amongst others, the additional estimation of ordinary connected transactions of the Company for 2021, agreeing to the transaction with Nongken Jinchang. On 19 August 2021, the Company, entered into the Silage Purchase Agreement with Nongken Jinchang in relation to the possible purchase of silage from Nongken Jinchang for the year ending 31 December 2021. Set out below are the salient terms of the Silage Purchase Agreement:

THE SILAGE PURCHASE AGREEMENT

- Date : 19 August 2021
- Parties : (1) the Company; and
(2) Nongken Jinchang
- Term : From 25 August 2021 to 31 December 2021.
- Subject matter : The Silage Purchase Agreement is a master agreement which governs the purchase of silage by the Group from Nongken Jinchang. Pursuant to the Silage Purchase Agreement, the Group agreed to purchase silage from Nongken Jinchang, and Nongken Jinchang agreed to sell silage to the Group at such time as requested by the Group and according to the harvest time which is dependent upon the composition of silage. The Group and Nongken Jinchang will enter into separate purchase order for each purchase on a quarterly basis, which shall stipulate the price as well as quantity for each purchase, provided that the terms of such order are consistent with the Silage Purchase Agreement.
- Pricing policy : The price of silage shall be based on the prevailing market price determined by (i) comparing the price obtained with at least three Independent Third Party suppliers of same or similar products during the same period; and (ii) regularly conducting market review on the market price of long term silage supply charged by other industry participants in nearby regions taking into account the supply of silage in the industry.

As a general principle, the terms (including the price and payment terms) of each purchase order shall be agreed between the Group and Nongken Jinchang based on normal commercial terms after arm's length negotiations, which shall be no less favourable to the Group than those offered to the Group by the Independent Third Parties of same or similar products.

- Payment terms : As set out in the quarterly purchase order entered into between the Group and Nongken Jinchang and after the below tests on the composition of silage are conducted. Generally, the price of silage shall be based on a base price of RMB380/tonne for silage with average dry content is equal to or greater than 30%; average starch content equal to or greater than 30%; and plant ratio equal to or greater than 35%; and the base price shall be adjusted by the following factors:
- (i) the price shall be increased/decreased by RMB12/tonne for every one percentage point increase/decrease in the dry content and the price shall not increase when the dry content reaches above 37%;
 - (ii) when the starch content is between 30% and 31%, the price shall be increased by RMB12/tonne for every one percentage point increase in starch content; and when the starch content is between 29% and 30%, the price shall be decreased by RMB12/tonne for every one percentage point decrease in starch content;
 - (iii) when the starch content is between 31% and 34%, the price shall be increased by RMB13/tonne for every one percentage point increase in starch content; and when the starch content is between 26% and 29%, the price shall be decreased by RMB13/tonne for every one percentage point decrease in starch content;
 - (iv) when the starch content is above 35%, the price shall be increased by RMB14/tonne for every one percentage point increase in starch content; and when the starch content is below 25%, the price shall be decreased by RMB14/tonne for every one percentage point decrease in starch content; and
 - (v) when the dry content is below 28% or greater than 37% or when the starch content is below 28%, no silage would be purchased.

The composition of silage would be inspected and set out in the test results when the purchase of silage are settled.

Historical Amount

The Company had no prior transaction with Nongken Jinchang for the purchase of silage.

Annual Purchase Cap and basis of determination

The table below sets out the proposed annual cap for the price payable by the Group to Nongken Jinchang for purchase of silage for the year ending 31 December 2021:

	Year ending 31 December 2021 RMB'000
Annual Purchase Cap	30,000

In determining the Annual Purchase Cap, the Directors have considered generally:

- (a) the historical amount of the purchase of silage from the Group's other suppliers;
- (b) the prevailing market price of silage; and
- (c) the anticipated market demand of the Group on silage during the term of the Silage Purchase Agreement for the year ending 31 December 2021. Such quantity is expected to be approximately 45,000 tonne to 50,000 tonne.

REASONS FOR AND BENEFITS OF THE TRANSACTIONS UNDER THE SILAGE PURCHASE AGREEMENT

Since the completion of the expansion project for processing 600 tons of liquid milk per day of the Company pursuant to the Company's announcement dated 15 May 2020, the production capacity of the Group's milk products has increased and the demand for silage, which is one of the Group's main raw materials (i.e. feeds for its dairy cows) used in the Group's production, has increased accordingly. In addition, pursuant to one of the overall arrangements made by Gansu Nongken Group which intended to consolidate the operations of dairy farms for higher efficiency, transportation distance of corn silage and alfalfa and other forage grass should be shortened, effectively reducing the breeding cost, improve the large-scale breeding efficiency, and promote the high-quality development of green and circular agricultural industry. The transactions contemplated under the Silage Purchase Agreement will contribute to the business of the Group by providing a stable and relatively nearby source of silage required in the production process and operations of the Group.

The Company considers that the purchase of silage from Nongken Jinchang by the Group are conducted in the Group's ordinary and usual course of business based on the commercial needs of the Group.

Based on the above, the Directors consider that the entering into of the Silage Purchase Agreement together with the transactions contemplated thereunder (including the Annual Purchase Cap) are in the ordinary and usual course of business of the Group and the terms are on normal commercial terms which have been arrived at after arm's length negotiations between the parties thereto, and that the terms thereof and the Annual Purchase Cap are fair and reasonable, and that the entering into of the Silage Purchase Agreement is in the interests of the Company and the independent Shareholders as a whole.

INTERNAL CONTROL

The Company will supervise the continuing connected transactions in accordance with the procedures set forth in the following internal control measures to ensure that the transactions contemplated under the Silage Purchase Agreement are conducted on normal commercial terms which are no less favourable than those offered by other Independent Third Parties:

- (i) the Company will supervise the continuing connected transactions and shall compare the price of silage with the price of the same or similar products obtained from at least three Independent Third Party suppliers when making purchases under the Silage Purchase Agreement;
- (ii) the finance department of the Company shall monitor and ensure that the departments overseeing the operation of the Company in connection with Silage Purchase Agreement will review and assess on a quarterly basis whether the transactions thereunder are conducted in accordance with the terms of the Silage Purchase Agreement and the Annual Purchase Cap are not exceeded;
- (iii) staff of audit department responsible for the internal control will check the relevant documents provided by the purchasing department against the purchase invoices for transactions contemplated under the Silage Purchase Agreement and other relevant documents on a regular basis; and
- (iv) the independent non-executive Directors shall, and the Company shall engage its external auditors to, conduct annual review of the continuing connected transactions entered into by the Group and the Annual Purchase Cap in accordance with the requirements of the Listing Rules.

LISTING RULES IMPLICATIONS

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As the applicable percentage ratios in respect of the Annual Purchase Cap under the Silage Purchase Agreement exceeds 0.1% but less than 5%, the continuing connected transactions contemplated under the Silage Purchase Agreement are subject to the reporting, announcement and annual review requirements but exempted from circular (including independent financial advice) and independent Shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

APPROVAL BY THE BOARD

In the 2nd meeting of the fourth session of the Board on 5 August 2021, the Board has considered and approved the transactions with Nongken Jinchang and the proposal of the Silage Purchase Agreement. For details of the resolution passed for approving the proposed transactions with Nongken Jinchang, please refer to the Announcement.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, save for the abstentions of Mr. Lian Enzhong, who is currently the human resources department head of Gansu Nongken Group; Mr. Yao Gexian, who currently holds position in several related parties of Gansu Nongken Group; and Mr. Xie Zhongkui, who is currently an external director of Gansu Nongken Group, no other Director has or may be regarded to have a material interest in the transactions and therefore no other Director is required to abstain from voting at the board meeting approving the transactions contemplated under the Silage Purchase Agreement.

GENERAL

INFORMATION OF THE GROUP

The Group principally operates two business segments: (i) dairy farming business, under which the Group produces and sells raw milk; and (ii) dairy products production business, under which the Group produces and sells dairy products.

INFORMATION OF NONGKEN JINCHANG

Nongken Jinchang is a wholly owned subsidiary of Gansu Nongken Group, a Controlling Shareholder. Gansu Nongken Group is in turn Gansu National Assets Investment Group Company Limited* (甘肅省國有資產投資集團有限公司), a company established in the PRC and whose registered capital is owned as to 84% by Gansu People's Government Asset Supervisory Management Committee* (甘肅省人民政府國有資產監督管理委員會) and as to 16% by Jiuquan Steel (Group) Limited Liability Company* (酒泉鋼鐵(集團)有限責任公司). Nongken Jinchang is principally engaged in the farming, sales and packaging of agricultural, forestry and animal products.

DEFINITIONS

“Announcement”	the overseas regulatory announcement of the Company dated 6 August 2021
“Annual Purchase Cap”	the annual purchase cap for the transactions contemplated under the Silage Purchase Agreement during the year ending 31 December 2021
“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	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, the issued H Shares of which are listed on the Main Board of the Stock Exchange (stock code: 1533) and the A Shares of which are listed on the Shenzhen Stock Exchange (stock code: 002910)
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the directors of the Company
“Gansu Nongken Group”	Gansu Nongken Group Limited Liability Company* (甘肅省農墾集團有限責任公司), a limited liability company established under the laws of PRC which is a substantial Shareholder of the Group’s A Shares
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	party(ies) which is(are) third party independent of the Group and its connected persons
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
Nongken Jinchang	Gansu Nongken Jinchang Farm Company Limited* (甘肅農墾金昌農場有限公司), a limited liability company established under the laws of the PRC

“Silage Purchase Agreement”	the silage purchase agreement dated 19 August 2021 entered into between the Company and Nongken Jinchang in relation to the purchase of silage by the Group from Nongken Jinchang
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	share(s) in the capital of the Company
“Shareholder(s)”	holder(s) of the shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

By Order of the Board
Lanzhou Zhuangyuan Pasture Co., Ltd.*
Yao Gexian
Chairman of the Board

Lanzhou, the PRC, 19 August 2021

As at the date of this announcement, the non-independent directors of the Company are Mr. Yao Gexian, Mr. Lian Enzhong, Mr. Zhang Yu, Mr. Yang Yi, Mr. Ma Hongfu and Ms. Zhang Qianyu; and the independent directors of the Company are Mr. Wang Haipeng, Mr. Xie Zhongkui and Mr. Sun Jian.

* *For identification purposes only*