

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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
MASTER PURCHASE AGREEMENT

**Independent Financial Adviser to the Independent Board Committee and
the Independent Shareholders**



RAINBOW CAPITAL (HK) LIMITED
流博資本有限公司

THE MASTER PURCHASE AGREEMENT

Reference is made to the Announcement in which the Board announced that at the Board meeting held on 15 January 2021, the Board passed the resolution for approving the estimation of ordinary connected transactions of the Company for 2021, agreeing to the transaction with Tianmu Dairy. On 9 February 2021, the Company entered into the Master Purchase Agreement with Tianmu Dairy in relation to the possible purchase of Raw Milk from Tianmu Dairy for the year ending 31 December 2021.

LISTING RULES IMPLICATIONS

As set out in the announcement of the Company dated 22 December 2020 in relation to, among others, the non-public issuance of A Shares, Gansu Nongken Asset subscribed for 37,931,665 A Shares, representing approximately 19.1% and 16.2% of (i) the total issued A Shares; and (ii) the total issued A Shares and H Shares, respectively. Tianmu Dairy is a fellow subsidiary of the holding company of Gansu Nongken Asset. Accordingly, Tianmu Dairy is an associate of a connected person of the Company under Chapter 14A of the Listing Rules. The transactions contemplated under the Master Purchase Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the Annual Purchase Cap under the Master Purchase Agreement exceeds 5%, the continuing connected transactions contemplated under the Master Purchase Agreement are subject to the reporting, announcement and the Independent Shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

A circular containing, among other things, (i) details of the Master Purchase Agreement; (ii) the letter of recommendation from the Independent Board Committee; (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (iv) a notice of the EGM, will be despatched to the Shareholders on or before 2 March 2021 in accordance with the Listing Rules.

Reference is made to the Announcement in which the Board announced that at the Board meeting of the Company held on 15 January 2021, the Board passed the resolution for approving the estimation of ordinary connected transactions of the Company for 2021, agreeing to the transaction with Tianmu Dairy. On 9 February 2021, the Company entered into the Master Purchase Agreement with Tianmu Dairy in relation to the possible purchase of Raw Milk from Tianmu Dairy for the year ending 31 December 2021. Set out below are the salient terms of the Master Purchase Agreement:

THE MASTER PURCHASE AGREEMENT

- Date : 9 February 2021
- Parties : (1) the Company (for itself and on behalf of its subsidiaries; and
(2) Tianmu Dairy
- Term : From 9 February 2021 to 31 December 2021.
- Condition precedent : The obtaining of approval from the Independent Shareholders at the EGM
- Subject matter : The Master Purchase Agreement is a master agreement which governs the purchase of Raw Milk by the Group from Tianmu Dairy. Pursuant to the Master Purchase Agreement, the Group agreed to purchase Raw Milk from Tianmu Dairy, and Tianmu Dairy agreed to sell Raw Milk to the Group.

The Group and Tianmu Dairy 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 Master Purchase Agreement.

Pricing policy : The price of Raw Milk 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 raw milk supply charged by other industry participants in Gansu province and Ningxia region taking into account the supply of raw milk 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 Tianmu Dairy 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 Tianmu Dairy.

Historical Amount

The transactions for the purchase of Raw Milk by the Group from Tianmu Dairy started in September 2020, prior to which the Company had no transaction with Tianmu Dairy. For the four months ended 31 December 2020, the historical amounts of purchase of Raw Milk by the Group from Tianmu Dairy were set out below:

	For the four months ended 31 December 2020 <i>RMB'000</i> <i>(unaudited)</i>
Historical transaction amounts	11,989

Annual Purchase Cap and basis of determination

The table below sets out the proposed annual cap for the price payable by the Group to Tianmu Dairy for purchase of Raw Milk for the year ending 31 December 2021:

	Year ending 31 December 2021 <i>RMB'000</i>
Annual Purchase Cap	200,000

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

- (a) the historical amount of the purchase of Raw Milk;
- (b) the prevailing market price of Raw Milk; and
- (c) the anticipated market demand of the Group on Raw Milk during the term of the Master Purchase Agreement for the year ending 31 December 2021, taking into account the increased demand of the Group due to the completion of the reconstruction and expansion project of 600 tons of liquid milk per day which commenced operation in May 2020.

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

As set out in the announcement of the Company dated 22 December 2020 in relation to, among others, the non-public issuance of A Shares, Gansu Nongken Asset subscribed for 37,931,665 A Shares, representing approximately 19.1% and 16.2% of the total issued A Shares and the total issued A Shares and H Shares, respectively. Accordingly, Gansu Nongken Asset became a substantial Shareholder. As a substantial Shareholder, Gansu Nongken Asset has accorded priority to fulfill the demand for quality raw milk from the Group. 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 raw milk has increased accordingly. The transactions contemplated under the Master Purchase Agreement will contribute to the business of the Group by providing a stable source of quality raw milk required in the production process and operations of the Group. As a result of the increase in production, the Group's revenue and net profit is expected to increase.

The Company considers that the purchase of Raw Milk from Tianmu Dairy 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 Master 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 Master 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 Master 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 Raw Milk with the price of the same or similar products obtained from at least three Independent Third Party suppliers when making purchases under the Master 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 Master Purchase Agreement will review and assess on a regular basis whether the transactions thereunder are conducted in accordance with the terms of the Master 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 Master 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

As set out in the announcement of the Company dated 22 December 2020 in relation to, among others, the non-public issuance of A Shares, Gansu Nongken Asset subscribed for 37,931,665 A Shares, representing approximately 19.1% and 16.2% of (i) the total issued A Shares; and (ii) the total issued A Shares and H Shares, respectively. Tianmu Dairy is a fellow subsidiary of the holding company of Gansu Nongken Asset. Accordingly, Tianmu Dairy is an associate of a connected person of the Company under Chapter 14A of the Listing Rules. The transactions contemplated under the Master Purchase Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the Annual Purchase Cap under the Master Purchase Agreement exceeds 5%, the continuing connected transactions contemplated under the Master Purchase Agreement are subject to the reporting, announcement and the Independent Shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

APPROVAL BY THE BOARD

In the 46th meeting of the third session of the Board on 15 January 2021, the Board has considered and approved the transactions with Tianmu Dairy and the proposal of the Master Purchase Agreement. For details of the resolution passed for approving the proposed transactions with Tianmu Dairy, please refer to the Announcement.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, no Director has a material interest in the transactions and therefore no Director is required to abstain from voting at the board meeting approving the transactions contemplated under the Master 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 TIANMU DAIRY

Tianmu Dairy is a fellow subsidiary of Gansu Nongken Asset, a substantial Shareholder, and is principally engaged in the processing and sales of dairy products, meat products and beverages. Tianmu Dairy's registered capital is owned as to 82.04% by Gansu Nongken Group and as to 17.96% by Gansu Nongken Jinchang Farm Company Limited* (甘肅農墾金昌農場有限公司), a company principally engaged in the farming, sales and packaging of agricultural, forestry and animal products. Gansu Nongken Asset is wholly owned by Gansu Nongken Group which is in turn wholly owned by 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).

EGM

The EGM will be held by the Company for the Independent Shareholders to consider and, if thought fit, to approve the Master Purchase Agreement and the transactions contemplated thereunder. Tianmu Dairy and its associates (including Gansu Nongken Asset) shall abstain from voting at the EGM to be convened to consider the resolution(s) approving the abovementioned continuing connected transactions.

For the purpose of the EGM, an Independent Board Committee comprising all independent non-executive Directors has been formed to advise the Independent Shareholders on the Master Purchase Agreement and the transactions contemplated thereunder (including the Annual Purchase Cap). Rainbow Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other things, (i) details of the Master Purchase Agreement; (ii) the letter of recommendation from the Independent Board Committee; (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (iv) a notice of the EGM, will be despatched to the Shareholders on or before 2 March 2021 in accordance with the Listing Rules.

DEFINITIONS

“Announcement”	the overseas regulatory announcement of the Company dated 15 January 2021
“Annual Purchase Cap”	the proposed annual purchase cap for the transactions contemplated under the Master 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
“EGM”	the extraordinary general meeting of the Company to be held and if thought fit, to approve the Master Purchase Agreement and the transactions contemplated thereunder (including the Annual Purchase Cap)
“Gansu Nongken Asset”	Gansu Nongken Asset Operation Company Limited* (甘肅省農墾資產經營有限公司), a limited liability company established under the laws of PRC which is a substantial Shareholder of the Group’s A Shares
“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 Board Committee”	the independent committee of the Board formed to consider the Master Purchase Agreement and the transactions contemplated thereunder (including the Annual Purchase Cap)
“Independent Financial Adviser” or “Rainbow Capital”	Rainbow Capital (HK) Limited, a corporation licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Master Purchase Agreement and the transactions contemplated thereunder (including the Annual Purchase Cap)
“Independent Shareholders”	Shareholders other than Gansu Nongken Asset
“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
“Master Purchase Agreement”	the master purchase agreement dated 9 February 2021 entered into between the Company and Tianmu Dairy in relation to the purchase of Raw Milk by the Group from Tianmu Dairy
“PRC”	the People’s Republic of China
“Raw Milk”	the raw milk to be purchased by the Group from Tianmu Dairy pursuant to the Master Purchase Agreement
“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

“Tianmu Dairy”

Gansu Nongken Tianmu Dairy Company Limited* (甘肅農墾天牧乳業有限公司), a limited company established under the laws of the PRC

“%”

per cent

By Order of the Board
Lanzhou Zhuangyuan Pasture Co., Ltd.*
Ma Hongfu
Chairman

Lanzhou, the PRC, 9 February 2021

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

* *For identification purposes only*