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CHINA YURUN FOOD GROUP LIMITED

中國雨潤食品集團有限公司*

(Incorporated in the Bermuda with limited liability)

(Stock Code: 1068)

CONTINUING CONNECTED TRANSACTIONS

THE POULTRY PURCHASE AGREEMENT

As the existing purchase agreement will expire on 31 December 2013, the Company has on 16 December 2013 entered into the Poultry Purchase Agreement with Mr. Zhu (for and on behalf of the Relevant Entities) for the continue sourcing of raw poultry meat and poultry products from the Relevant Entities upon expiry of the existing purchase agreement.

IMPLICATIONS UNDER THE LISTING RULES

As of the date of this announcement, Mr. Zhu is a substantial shareholder of the Company who is indirectly interested in approximately 25.82% of the issued shares of the Company, and is therefore a connected person of the Company under the Listing Rules. The Relevant Entities, being entities owned and/ or controlled by Mr. Zhu and his associates, are associates of Mr. Zhu and are connected persons of the Company. Any transactions entered into between the Group and the Relevant Entities will constitute continuing connected transactions of the Company under the Listing Rules.

As one or more of the applicable percentage ratios in respect of the Annual Caps of the Poultry Purchase Agreement exceed 0.1% but are less than 5%, the transactions contemplated under the Poultry Purchase Agreement are subject to the reporting, annual review and announcement requirements but are exempted from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

THE POULTRY PURCHASE AGREEMENT

The Company refers to its announcement dated 20 December 2010 regarding its sourcing of raw poultry meat and poultry products from certain entities owned and/ or controlled by Mr. Zhu, a connected person, for a term of three years commencing on 1 January 2011.

As the existing purchase agreement will expire on 31 December 2013, the Company has on 16 December 2013 entered into the Poultry Purchase Agreement with Mr. Zhu (for and on behalf of the Relevant Entities) for the continue sourcing of raw poultry meat and poultry products from the Relevant Entities upon expiry of the existing purchase agreement.

The principal terms of the Poultry Purchase Agreement are described below:

- Date** : 16 December 2013
- Parties** : (i) The Company (for and on behalf of the members of the Group), as the buyer; and
(ii) Mr. Zhu (for and on behalf of the Relevant Entities), as the seller.
- Term** : Commencing on 1 January 2014 and ending on 31 December 2016.
- Principal Terms** : The Relevant Entities, which are principally engaged in poultry product business, shall supply raw poultry meat and poultry products to the Group for its production use.
- Pricing** : The price for the sourcing of the raw poultry meat and poultry products shall be determined on an arm's length basis, and negotiated between the parties to the Poultry Purchase Agreement with reference to the market price at the time the purchase order is placed, provided that such price shall not be higher than the average price paid by the Group to other independent third parties on an arm's length basis and normal commercial terms for the same type of products during the relevant period.

The Group may, before it places any purchase order with the Relevant Entity pursuant to the Poultry Purchase Agreement, obtain price quotations from or transaction information from other suppliers who are independent third parties for the supply of the same or similar type of products required by the Group. If the Group proceeds to place a purchase order with the Relevant Entity for the poultry products, the price and other conditions at which such products are to be offered by the Relevant Entity shall be no less favourable than those offered by the independent third parties to the Group.

Proposed Annual Caps

The historical purchase amounts of poultry products by the Group from the Relevant Entities and the Annual Caps pursuant to the Poultry Purchase Agreement are set out below:

Historical transaction amounts (financial year ended/ period ended)	RMB	Equivalent to approximately (HK\$)
31 December 2011	165 million	200 million (<i>Note</i>)
31 December 2012	115 million	142 million (<i>Note</i>)
31 October 2013 (unaudited, based on the Group's management accounts)	102 million	131 million

Note: the conversion of RMB into HK\$ is based on the exchange rate used in the annual report of the Company for the year 2011 and 2012 respectively.

Annual Caps (financial year ending)	RMB	Equivalent to approximately (HK\$)
31 December 2014	156 million	200 million
31 December 2015	203 million	261 million
31 December 2016	243 million	312 million

The Annual Caps are determined with reference to the actual purchase amount of the raw poultry meat and poultry products by the Group from the Relevant Entities under the existing purchase agreement, taking into account the anticipated increase in demand for raw poultry meat and poultry products of the Group and the increase in the variety of products offered by the Group as a result of its business growth, the anticipated inflation and increase in the market price of raw poultry meat and poultry products during the term of the Poultry Purchase Agreement.

REASONS FOR ENTERING INTO THE POULTRY PURCHASE AGREEMENT

The Group is one of the leading meat product suppliers in the PRC which offers a wide range of raw pork (chilled and frozen) and processed meat with a particular focus on pork products. The Group decides to continue the present arrangements with respect to its sourcing of raw poultry meat and poultry products from the Relevant Entities, as the Relevant Entities are stable and reliable suppliers of quality raw poultry meat and poultry products, and the Directors believe it is cost-effective and efficient to source such products from the Relevant Entities.

DIRECTORS' CONFIRMATION

The Directors (including the independent non-executive Directors) are of the opinion that the continuing connected transactions under the Poultry Purchase Agreement will continue to be carried out in the ordinary and usual course of business of the Group, and on normal commercial terms which (including the Annual Caps) are fair and reasonable and in the interests of the Company and the shareholders of the Company as a whole.

As none of the Directors has a material interest in the Poultry Purchase Agreement, none of the Directors has abstained from voting on the board meeting approving the aforesaid transactions.

INFORMATION ON THE PARTIES

The Company

The principal activity of the Company is investment holding, and the Group is one of the leading meat product suppliers in the PRC primarily engaging in the slaughtering, production, and sale of chilled and frozen pork and processed meat products with a particular focus on pork products in the PRC.

Mr. Zhu and the Relevant Entities

Mr. Zhu is a substantial shareholder and a former executive director of the Company, who as at the date of this announcement is indirectly interested in approximately 25.82% of the issued shares of the Company. The Relevant Entities are entities incorporated in the PRC owned and/ or controlled by Mr. Zhu and his associates, which are principally engaged in the business of manufacturing and sales of poultry meat and poultry products.

IMPLICATIONS UNDER THE LISTING RULES

As of the date of this announcement, Mr. Zhu is a substantial shareholder of the Company who is indirectly interested in approximately 25.82% of the issued shares of the Company, and is therefore a connected person of the Company under the Listing Rules. The Relevant Entities, being entities owned and/ or controlled by Mr. Zhu and his associates, are associates of Mr. Zhu and are connected persons of the Company. Any transactions entered into between the Group and the Relevant Entities will constitute continuing connected transactions of the Company under the Listing Rules.

As one or more of the applicable percentage ratios in respect of the Annual Caps of the Poultry Purchase Agreement exceed 0.1% but are less than 5%, the transactions contemplated under the Poultry Purchase Agreement are subject to the reporting, annual review and announcement requirements but are exempted from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

DEFINITIONS

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

“Annual Caps”	the proposed annual caps of the transaction amounts of each of the three financial years ending 31 December 2016 under the Poultry Purchase Agreement, details of which are set out in the paragraph headed “Proposed Annual Caps” in this announcement
“associates”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors
“China” or the “PRC”	the People’s Republic of China (except Taiwan, the Hong Kong Special Administrative Region and the Macau Special Administrative Region)
“Company”	China Yurun Food Group Limited, a company incorporated in Bermuda, the shares of which are listed on the Stock Exchange
“connected person”	has the meaning ascribed to it in the Listing Rules
“Director(s)”	the director(s) of the Company

“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong Dollars, the lawful currency of the Hong Kong Special Administrative Region of the PRC
“independent third party(ies)”	party(ies) that is/are not connected persons of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Zhu”	Zhu Yicai, a substantial shareholder and a former executive director of the Company
“Poultry Purchase Agreement”	the poultry purchase agreement dated 16 December 2013 entered into between the Company and Mr. Zhu in relation to the sourcing of raw poultry meat and poultry products by the Group from the Relevant Entities
“Relevant Entity(ies)”	certain entity(ies) incorporated in the PRC owned and/ or controlled by Mr. Zhu and his associates, which are principally engaged in the business of manufacturing and sales of poultry meat and poultry products
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning ascribed to it in the Listing Rules
“%”	per cent

By Order of the Board
Yu Zhangli
Chairman

The PRC, 16 December 2013

As of the date of this announcement, the executive Directors are Yu Zhangli, Li Shibao, Feng Kuande, Ge Yuqi; the non-executive Directors are Wang Kaitian and Li Chenghua; the independent non-executive Directors are Gao Hui, Qiao Jun and Chen Jianguo.

For the purpose of this announcement, unless otherwise specified, conversion of RMB into HK\$ is based on the approximate exchange rate of RMB0.7788 to HK\$1.

** For identification purposes only*