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CHANGSHOUHUA FOOD COMPANY LIMITED

長壽花食品股份有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1006)

CONTINUING CONNECTED TRANSACTIONS- (1) SALE AND PURCHASE AGREEMENT; AND (2) PROCESSING AGREEMENT

The Board announces that:

- (1) on 8 December 2017, Corn Industry entered into the Sale and Purchase Agreement with Sanxing Grease for a term of three years commencing from 1 January 2018 and expiring on 31 December 2020, pursuant to which Sanxing Grease and its subsidiaries together shall provide crude sunflower seed oil to Corn Industry. The Directors estimate that the annual purchase fee under the Sale and Purchase Agreement for the three years ending 31 December 2020 will not exceed the annual caps of RMB400,000,000, RMB500,000,000 and RMB600,000,000 respectively; and
- (2) on 8 December 2017, Corn Industry entered into the 2017 Processing Agreement with Yantai Wanke for a term commencing from 8 December 2017 and expiring on 31 December 2017, pursuant to which Yantai Wanke shall be commissioned by Corn Industry to process and produce packaged soy sauce and soybean paste. Furthermore, Corn Industry has entered into the Processing Agreement with Yantai Wanke on 8 December 2017 for a term of three years commencing from 1 January 2018 and expiring on 31 December 2020, pursuant to which Yantai Wanke shall be commissioned by Corn Industry to process and produce packaged soy sauce and soybean paste. The Directors estimate that the maximum processing fee under the 2017 Processing Agreement for the period ending 31 December 2017 will not exceed the cap of RMB6,000,000 and the annual processing fee under the Processing Agreement for the three years ending 31 December 2020 will not exceed the annual caps of RMB68,000,000 respectively.

GENERAL

Yantai Wanke is a company wholly-owned by Shandong Sanxing, whereas Shandong Sanxing and Sanxing Grease are both controlling Shareholders of the Company which are interested in approximately 52.14% of the issued share capital of the Company as at the date of this announcement. Accordingly, Yantai Wanke and Sanxing Grease are both connected persons of the Company under Chapter 14A of the Listing Rules.

The transactions contemplated under the Sale and Purchase Agreement, 2017 Processing Agreement and the Processing Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the proposed cap in respect of the 2017 Processing Agreement for the period ending 31 December 2017 is more than HK\$3,000,000 and applicable ratios calculated thereof are more than 0.1% but less than 5%, the transactions contemplated under the 2017 Processing Agreement are subject to the reporting and announcement requirements but exempt from the Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.81 of the Listing Rules, the continuing connected transactions contemplated under the Sale and Purchase Agreement and the Processing Agreement should be aggregated as they were entered into by the Company with parties connected with one another and subject matters under each of the agreements are of similar nature or otherwise related. As the aggregate proposed annual caps under the Sale and Purchase Agreement and the Processing Agreement for each of the three years ending 31 December 2020 are more than HK\$10,000,000 and the applicable ratios calculated thereof are more than 5%, the transactions contemplated under both agreements and the aggregate proposed annual caps for each of the three years ending 31 December 2020 are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

A circular containing, among others:

- (a) details of the Sale and Purchase Agreement and the Processing Agreement and their respective proposed annual caps;
- (b) a letter from the Independent Financial Adviser to the Independent Board Committee containing its advice on the Sale and Purchase Agreement and the Processing Agreement and their respective proposed annual caps;
- (c) the recommendation of the Independent Board Committee on the Sale and Purchase Agreement and the Processing Agreement and their respective proposed annual caps; and
- (d) the notice of EGM to be convened to approve, among others, the transactions contemplated under the Sale and Purchase Agreement and the Processing Agreement and their respective proposed annual caps for each of the three years ending 31 December 2020,

will be dispatched to the Shareholders in accordance with the Listing Rules on or before 4 January 2018.

1. SALE AND PURCHASE AGREEMENT

Date

8 December 2017

Parties

- A. Corn Industry
- B. Sanxing Grease

Procurement business

Pursuant to the Sale and Purchase Agreement, Sanxing Grease and its subsidiaries together shall provide crude sunflower seed oil to Corn Industry.

Term

The term of the Sale and Purchase Agreement is three years commencing from 1 January 2018 and expiring on 31 December 2020.

Condition

The Sale and Purchase Agreement is conditional upon the resolution regarding the Sale and Purchase Agreement (including the annual caps) and the transactions contemplated thereunder being approved by the Independent Shareholders at the forthcoming EGM.

Pricing

Pursuant to the Sale and Purchase Agreement, the price payable for procurement of crude sunflower seed oil shall be negotiated by the parties by taking into account the average market price. Such price must be fair and reasonable, on normal commercial terms and shall be no less favourable than those offered by Independent Third Parties to Corn Industry.

Payment

The purchase fee shall be paid on delivery. Sanxing Grease shall issue value-added invoice to Corn Industry within ten days upon pick up of the goods by Corn Industry.

Proposed annual caps

Having considered, among others, (i) the maximum annual purchase volume of crude sunflower seed oil by the Company of approximately 60,000 tones; and (ii) the estimated future sales volume and refinement production volume of the Group's edible sunflower seed oil products, the Directors estimate that the annual purchase fee under the Sale and Purchase Agreement for the three years ending 31 December 2020 will not exceed the annual caps of RMB400,000,000, RMB500,000,000 and RMB600,000,000 respectively.

2. 2017 PROCESSING AGREEMENT AND PROCESSING AGREEMENT

Date

8 December 2017

Parties

- A. Corn Industry
- B. Yantai Wanke

Processing business

Pursuant to the 2017 Processing Agreement and the Processing Agreement, Yantai Wanke shall be commissioned by Corn Industry to process and produce packaged soy sauce and soybean paste.

Term

The term of the 2017 Processing Agreement commences from 8 December 2017 and expires on 31 December 2017.

The term of the Processing Agreement is three years commencing from 1 January 2018 and expiring on 31 December 2020.

Condition

The Processing Agreement is conditional upon the resolution regarding the Processing Agreement (including the annual caps) and the transactions contemplated thereunder being approved by the Independent Shareholders at the forthcoming EGM.

Pricing

Pursuant to the 2017 Processing Agreement and the Processing Agreement, the prices payable for processing and production of packaged soy sauce and soybean paste shall be calculated on the basis of 1.1 times of their respective production cost. Such price must be fair and reasonable, on normal commercial terms and shall be no less favourable than those offered by Independent Third Parties to Corn Industry.

Payment

The fee under the 2017 Processing Agreement and the Processing Agreement shall be paid per order. Corn Industry shall transfer such fee to the designated bank account of Yantai Wanke within seven business days after delivery of each order.

Proposed annual caps

Having considered, among others, (i) the maximum annual purchase volume of packaged soy sauce by the Company of approximately 8,000 tones; (i) the maximum annual purchase volume of packaged soybean paste by the Company of approximately 1,000 tones; and (ii) the estimated future sales volume of condiments of the Group, the Directors estimate that the maximum processing fee under the 2017 Processing Agreement for the period ending 31 December 2017 will not exceed the cap of RMB6,000,000 and the annual processing fee under the Processing Agreement for the three years ending 31 December 2020 will not exceed the annual caps of RMB68,000,000 respectively.

REASONS FOR THE SALE AND PURCHASE AGREEMENT, THE 2017 PROCESSING AGREEMENT AND THE PROCESSING AGREEMENT

Sale and Purchase Agreement

Sanxing Grease is principally engaged in production and sale of edible oil.

The price for crude sunflower seed oil of Sanxing Grease is competitive.

Given the aforesaid and after taking into account the terms of the Sale and Purchase Agreement, the Directors (excluding Mr. Wang Mingxing, Mr. Wang Mingfeng and Mr. Wang Mingliang, executive Directors, who have material interests in the transactions contemplated under the Sale and Purchase Agreement and have abstained from voting on the Board resolutions approving the Sale and Purchase Agreement and the transactions contemplated thereunder; and also excluding the independent non-executive Directors whose opinion on the matter will be set forth in the circular by reference to the advice of the Independent Financial Adviser in this regard) consider that entering into the Sale and Purchase Agreement is in the interests of the Company and the Shareholders as a whole, and the terms thereof are on normal commercial terms and fair and reasonable.

2017 Processing Agreement and the Processing Agreement

Yantai Wanke is principally engaged in the production and sale of high-end condiments and trading of goods.

Yantai Wanke possesses advanced technologies in respect of production of high quality soy sauce and soybean paste.

Given the aforesaid and after taking into account the terms of the Processing Agreement, the Directors (excluding Mr. Wang Mingxing, Mr. Wang Mingfeng and Mr. Wang Mingliang, executive Directors, who have material interests in the transactions contemplated under the Processing Agreement and have abstained from voting on the Board resolutions approving the Processing Agreement and the transactions contemplated thereunder; and also excluding the independent non-executive Directors whose opinion on the matter will be set forth in the circular by reference to the advice of the Independent Financial Adviser in this regard) consider that entering into the Processing Agreement is in the interests of the Company and the Shareholders as a whole, and the terms thereof are on normal commercial terms and fair and reasonable.

GENERAL

The principal activities of the Group are the production and sale of edible oil, crude oil and corn meal.

Yantai Wanke is a company wholly-owned by Shandong Sanxing, whereas Shandong Sanxing and Sanxing Grease are both controlling Shareholders of the Company which are interested in approximately 52.14% of the issued share capital of the Company as at the date of this announcement. Accordingly, Yantai Wanke and Sanxing Grease are both connected persons of the Company under Chapter 14A of the Listing Rules.

The transactions contemplated under the Sale and Purchase Agreement, 2017 Processing Agreement and the Processing Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the proposed cap in respect of the 2017 Processing Agreement for the period ending 31 December 2017 is more than HK\$3,000,000 and applicable ratios calculated thereof are more than 0.1% but less than 5%, the transactions contemplated under the 2017 Processing Agreement are subject to the reporting and announcement requirements but exempt from the Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.81 of the Listing Rules, the continuing connected transactions contemplated under the Sale and Purchase Agreement and the Processing Agreement should be aggregated as they were entered into by the Company with parties connected with one another and subject matters under each of the agreements are of similar nature or otherwise related. As the aggregate proposed annual caps under the Sale and Purchase Agreement and the Processing Agreement for each of the three years ending 31 December 2020 are more than HK\$10,000,000 and the applicable ratios calculated thereof are more than 5%, the transactions contemplated under both agreements and the aggregate proposed annual caps for each of the three years ending 31 December 2020 are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Red Sun Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Board Committee comprising all independent non-executive Directors has been established to advise the Independent Shareholders, in respect of the continuing connected transactions under the Sale and Purchase Agreement and the Processing Agreement.

A circular containing, among others:

- (a) details of the Sale and Purchase Agreement and the Processing Agreement and their respective proposed annual caps;
- (b) a letter from the Independent Financial Adviser to the Independent Board Committee containing its advice on the Sale and Purchase Agreement and the Processing Agreement and their respective proposed annual caps;

- (c) the recommendation of the Independent Board Committee on the Sale and Purchase Agreement and the Processing Agreement and their respective proposed annual caps; and
- (d) the notice of EGM to be convened to approve, among others, the transactions contemplated under the Sale and Purchase Agreement and the Processing Agreement and their respective proposed annual caps for each of the three years ending 31 December 2020,

will be dispatched to the Shareholders in accordance with the Listing Rules on or before 4 January 2018.

DEFINITIONS

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

“2017 Processing Agreement”	the processing agreement entered into between Yantai Wanke and Corn Industry on 8 December 2017 for a term commencing from 8 December 2017 and expiring on 31 December 2017, pursuant to which Yantai Wanke shall be commissioned by Corn Industry to process packaged soy sauce and soybean paste for production
“Board”	the board of Directors
“Company”	Changshouhua Food Company Limited, a company incorporated in the Cayman Islands, the Shares of which are listed on the Stock Exchange
“Corn Industry”	山東三星玉米產業科技有限公司(Shandong Sanxing Corn Industry Technology Company Limited*), a company incorporated in the PRC with limited liability and is an indirect wholly-owned subsidiary of the Company as at the date of this announcement
“Directors”	the directors of the Company
“EGM”	an extraordinary general meeting of the Company to be convened to approve the Sale and Purchase Agreement and the Processing Agreement
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	a committee of the Board comprising all the independent non-executive Directors, namely Mr. Wang Aiguo, Mr. Liu Shusong and Mr. Wang Ruiyuan

“Independent Financial Adviser”	Red Sun Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Sale and Purchase Agreement and the Processing Agreement
“Independent Shareholders”	Shareholders other than Shandong Sanxing and its associates
“Independent Third Party(ies)”	person(s) and/or company(ies) who/which is (are) independent of the Company and its connected persons (as defined in the Listing Rules)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Processing Agreement”	the processing agreement entered into between Yantai Wanke and Corn Industry on 8 December 2017 for a term of three years commencing from 1 January 2018 and expiring on 31 December 2020, pursuant to which Yantai Wanke shall be commissioned by Corn Industry to process packaged soy sauce and soybean paste for production
“PRC”	the People’s Republic of China, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan for the purpose of this announcement
“Sale and Purchase Agreement”	the agreement entered into between Sanxing Grease and Corn Industry on 8 December 2017, pursuant to which Sanxing Grease and its subsidiaries together shall provide crude sunflower seed oil to Corn Industry
“Sanxing Grease”	鄒平三星油脂工業有限公司(Zouping Sanxing Grease Industry Company Limited*), a company incorporated in the PRC with limited liability, which is wholly owned by Shandong Sanxing as at the date of this announcement
“Shandong”	Shandong Province, the PRC
“Shandong Sanxing”	山東三星集團有限公司(Shandong Sanxing Group Company Limited*), a company incorporated in the PRC with limited liability, which is owned as to 24.4% by Mr. Wang Mingxing, 24.8% by Mr. Wang Mingfeng and 24.4% by Mr. Wang Mingliang, all being executive Directors, as at the date of this announcement

“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Yantai Wanke”	煙台萬科食品有限公司 (Yantai Wanke Food Company Limited*), a company incorporated in the PRC with limited liability, which is wholly-owned by Shandong Sanxing as at the date of this announcement
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

On behalf of the Board
**Changshouhua Food Company
Limited**
Wang Mingxing
Chairman

Hong Kong, 8 December 2017

As at the date of this announcement, the Board consists of five executive Directors, namely Mr. Wang Mingxing, Mr. Wang Mingfeng, Mr. Wang Mingliang, Mr. Cheng Wenming and Mr. Huang Da, and three independent non-executive Directors, namely Mr. Wang Aiguo, Mr. Liu Shusong and Mr. Wang Ruiyuan.

** for identification purpose only*