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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
REVISION OF THE EXISTING
ANNUAL CAP OF
PIG BLOOD PRODUCTS SUPPLY FRAMEWORK AGREEMENT**

THE PIG BLOOD PRODUCTS SUPPLY FRAMEWORK AGREEMENT

Reference is made to the announcement of the Company dated 20 December 2016 in relation to the Pig Blood Products Supply Framework Agreement entered with the Pig Blood Products Purchasing Entities for the continual supply of pig blood products to the Pig Blood Products Purchasing Entities and/or their subsidiaries. As the Pig Blood Products Purchasing Entities optimize its suppliers chain of raw materials and thus increase the purchase quantity from the Group, the Board consider that it can generate an additional and steady revenue and profit for the Group and decided to revise the existing annual cap for the two financial years ending 31 December 2019.

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 Pig Blood Products Purchasing 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. The transactions contemplated under the Pig Blood Products Supply Framework Agreement therefore constitute continuing connected transactions of the Company under the Listing Rules.

As one or more of the applicable percentage ratios in respect of the revised annual caps under the Pig Blood Products Supply Framework Agreement are, on an annual basis, more than 0.1% but are less than 5%, the transactions contemplated under the Pig Blood Products Supply Framework 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 PIG BLOOD PRODUCTS SUPPLY FRAMEWORK AGREEMENT

Reference is made to the announcement of the Company dated 20 December 2016 regarding its supplying of pig blood products to certain entities owned and/or controlled by Mr. Zhu commencing on 1 January 2017 and ending on 31 December 2019.

The principal terms of the Pig Blood Products Supply Framework Agreement are described below:

- Date** : 20 December 2016

- Parties** : (i) the Company (for and on behalf of the members of the Group), as the seller; and

(ii) the Pig Blood Products Purchasing Entities, as the buyer. The Pig Blood Products Purchasing Entities are entities owned and/or controlled by Mr. Zhu and his associates.

- Term** : Commencing on 1 January 2017 and ending on 31 December 2019.

- Principal terms** : The Group shall supply pig blood products manufactured by it to the Pig Blood Products Purchasing Entities which may require pig blood products from time to time.

- Pricing** : The sales price of the pig blood products under the Pig Blood Products Supply Framework Agreement shall be determined on an arm’s length basis, and negotiated between the parties to the Pig Blood Products Supply Framework Agreement with reference to the market price at the time the purchase order is placed, provided that such price shall not be lower than the average price offered 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 from time to time as it considers appropriate provide to the Pig Blood Products Purchasing Entities the sales records of the pig blood products it offered to other independent third parties or other price quotations for the supply of pig blood products obtained from independent third parties as the market reference price of such products. If the Group proceeds to sell the pig blood products to any of the Pig Blood Products Purchasing Entities, the price and other conditions at which such products are offered to the Pig Blood Products Purchasing Entities shall be no more favourable than those offered to the independent third parties to the Group.

- Delivery and payment arrangements** : The buyer shall send a purchase order to the seller specifying the quantity and types of pig blood products required for the coming month not less than seven days prior to the end of the month. The buyer shall settle the payment within one month after receipt of the products. The buyer shall be responsible for the delivery of products.

Proposed annual caps

The historical sales amounts of pig blood products by the Group to the Pig Blood Products Purchasing Entities and the annual caps and revised annual caps for the continuing connected transactions contemplated under the Pig Blood Products Supply Framework Agreement are set out below:

Historical transaction amounts (financial year ended/period ended)	RMB	Equivalent to approximately (HK\$)
31 December 2017	9.28 million	10.73 million (<i>Note1</i>)
31 August 2018 (unaudited, based on the Group's management accounts)	11.90 million	14.61 million (<i>Note1</i>)
Annual caps (financial year ending)		
31 December 2017	9.60 million	10.76 million (<i>Note2</i>)
31 December 2018	11.50 million	12.88 million (<i>Note2</i>)
31 December 2019	13.80 million	15.46 million (<i>Note2</i>)
Revised annual caps (financial year ending)		
31 December 2018	20.00 million	22.91 million
31 December 2019	30.00 million	34.37 million

Note 1: the conversion of RMB into HK\$ is based on the exchange rate used in the annual report of the Company for the year 2017 and interim report of the Company for the six months ended 30 June 2018 respectively.

Note 2: the conversion of RMB into HK\$ is based on the approximate exchange rate of RMB0.89256 to HK\$1.

Basis for the revised annual caps

The revised annual caps under the Pig Blood Products Supply Agreement are determined with reference to the actual sales amount of pig blood products by the Group to the Pig Blood Products Purchasing Entities under the existing supply framework agreement, taking into account of the anticipated demand for pig blood products of the Pig Blood Products Purchasing Entities and the production level and supply of pig blood products of the Group's production plants, the anticipated inflation and increase in the market price of pig blood products during the term of the Pig Blood Products Framework Agreement.

Save for the revision of the annual caps, all other terms of the Pig Blood Products Framework Agreement remain unchanged.

REASONS FOR REVISION OF THE ANNUAL CAPS

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 Pig Blood Products Purchasing Entities are principally engaged in the business of manufacturing and sales of feed stock and biotechnology development, which requires pig blood products for its production use. As the Pig Blood Products Purchasing Entities optimize its suppliers chain of raw materials and thus increase the purchase quantity from the Group, the Directors consider increase the sales of these pig blood products (which are by-products derived during the Group's slaughtering process) to the Pig Blood Products Purchasing Entities which may require pig blood products from time to time will generate an additional and steady revenue and profit for the Group.

DIRECTORS' CONFIRMATION

The Directors (including the independent non-executive Directors) are of the opinion that the continuing connected transactions under the Pig Blood Products Supply Framework 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 Pig Blood Products Supply Framework 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 Pig Blood Products Purchasing Entities

The controlling shareholder of the Pig Blood Products Purchasing Entities is Mr. Zhu and 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 Pig Blood Products Purchasing 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 feed stock and biotechnology development.

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 Pig Blood Products Purchasing 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. The transactions contemplated

under the Pig Blood Products Supply Framework Agreement therefore constitute continuing connected transactions of the Company under the Listing Rules.

As one or more of the applicable percentage ratios in respect of the revised annual caps under the Pig Blood Products Supply Framework Agreement are, on an annual basis, more than 0.1% but are less than 5%, the transactions contemplated under the Pig Blood Products Supply Framework 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:

“associates”	has the meaning ascribed to it under 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 under the Listing Rules
“Director(s)”	the director(s) of the Company
“Pig Blood Products Supply Framework Agreement”	the agreement dated 20 December 2016 entered into between the Company and Pig Blood Products Purchasing Entities in relation to the supply of pig blood products by the Group to Pig Blood Products Purchasing Entities
“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, and a connected person of the Company
“Pig Blood Products Purchasing Entities”	雨潤生物科技（東海）有限公司（Yurun Biotechnology (Tonghai) Company Limited*), 桐城市雨潤生物科技有限公司（Tongcheng Yurun Biotechnology Company Limited*) and 黑山雨潤生物蛋白製品有限公司（Heishan Yurun Biological Protein Products Company Limited*), being 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 feed stock and biotechnology development
“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 under the Listing Rules
“%”	per cent

By Order of the Board
Yu Zhangli
Chairman

The PRC, 18 September 2018

As at the date of this announcement, the executive directors of the Company are Yu Zhangli, Li Shibao, Sun Tiexin, Yang Linwei and Yao Guozhong; the independent non-executive directors are Gao Hui, Chen Jianguo and Miao Yelian.

For the purpose of this announcement, unless otherwise specified, conversion of RMB into HK\$ is based on the approximate exchange rate of RMB0.87297 to HK\$1.

** For identification purposes only*