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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

CARTON BOXES PACKAGING MATERIALS PURCHASE FRAMEWORK AGREEMENT

THE CARTON BOXES PACKAGING MATERIALS PURCHASE FRAMEWORK AGREEMENT

The Company (for and on behalf of the members of the Group) entered into the Carton Boxes Packaging Materials Purchase Framework Agreement with Selling Entity for the purchases of carton boxes packaging materials from the Selling Entity.

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 Selling Entity being entity owned and/or controlled by Mr. Zhu and his associates, is associate of Mr. Zhu and is connected person of the Company. The transactions contemplated under the Carton Boxes Packaging Materials Purchase 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 annual caps under the Carton Boxes Packaging Materials Purchase Framework Agreement are, on an annual basis, more than 0.1% but are less than 5%, the transactions contemplated under the Carton Boxes Packaging Materials Purchase 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 CARTON BOXES PACKAGING MATERIALS PURCHASE FRAMEWORK AGREEMENT

The Company (for and on behalf of the members of the Group) entered into the Carton Boxes Packaging Materials Purchase Agreement with Selling Entity for the purchases of Carton Boxes Packaging Materials from the Selling Entity.

The principal terms of the Carton Boxes Packaging Materials Purchase Framework Agreement are described below:

- Date** : 26 October 2018
- Parties** : (i) the Company (for and on behalf of the members of the Group), as the buyer; and
 (ii) the Selling Entity, as the seller. The Selling Entity is an entity owned and/or controlled by Mr. Zhu and his associates.
- Term** : Commencing on 26 October 2018 and ending on 31 December 2020.
- Principal terms** : The Selling Entity shall supply carton boxes packaging materials to the Group for its production use.
- Pricing** : The price for the sourcing of carton boxes packaging materials shall be determined on an arm’s length basis, and negotiated between the parties to the Carton Boxes Packaging Materials Purchase Framework 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 Selling Entity pursuant to the Carton Boxes Packaging Materials Purchase Framework Agreement, obtain price quotations 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 Selling Entity for the carton boxes packaging materials, the price and other conditions at which such products are to be offered by the Selling Entity shall be no less favourable than those offered by 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 carton boxes packaging materials required for the coming month not less than seven days prior to the end of the month. The buyer shall settle the payment within three months after delivery. Unless agreed otherwise by both parties, the buyer shall notify the seller two days prior to the intended date of delivery in respect of the delivery arrangement.

Proposed annual caps

There were no historical transactions of a similar nature between the Company and the Selling Entity. The proposed annual caps for the continuing connected transactions contemplated under the Carton Boxes Packaging Materials Purchase Framework Agreement are set out below:

Annual caps (financial year/period ending)	RMB	Equivalent to approximately (HK\$)
31 December 2018	4.5 million	5.1 million
31 December 2019	18.0 million	20.3 million
31 December 2020	21.6 million	24.4 million

The annual caps under the Carton Boxes Packaging Materials Purchase Framework Agreement are determined with reference to the usage of carton boxes packaging materials of the subsidiaries of the Company located near the Selling Entity, taking into account of the anticipated demand for carton boxes packaging materials of the Group and the increase in the variety of products offered by the Group and its business growth, the anticipated inflation and fluctuation in the market price of carton boxes packaging materials during the term of the Carton Boxes Packaging Materials Purchase Framework Agreement.

REASONS FOR ENTERING INTO THE CARTON BOXES PACKAGING MATERIALS PURCHASE FRAMEWORK 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 source carton boxes packaging materials from the Selling Entity, as the Selling Entity are stable and reliable suppliers of carton boxes packaging materials, and the Directors believe it is cost-effective and efficient to source such products from the Selling Entity.

DIRECTORS' CONFIRMATION

The Directors (including the independent non-executive Directors) are of the opinion that the continuing connected transactions under the Carton Boxes Packaging Materials Purchase 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 Carton Boxes Packaging Materials Purchase 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 Selling Entity

The controlling shareholder of the Selling Entity 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 Selling Entity is entity incorporated in the PRC owned and/or controlled by Mr. Zhu and his associates, which is principally engaged in the business of slaughtering of poultry and manufacture and sales of packaging materials.

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 Selling Entity, being entity owned and/or controlled by Mr. Zhu and his associates, is associate of Mr. Zhu and is connected person of the Company. The transactions contemplated under the Carton Boxes Packaging Materials Purchase 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 annual caps under the Carton Boxes Packaging Materials Purchase Framework Agreement are, on an annual basis, more than 0.1% but are less than 5%, the transactions contemplated under the Carton Boxes Packaging Materials Purchase 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
“Carton Boxes Packaging Materials Purchase Framework Agreement”	the agreement dated 26 October 2018 entered into between the Company and Selling Entity in relation to the sourcing of carton boxes packaging materials by the Group from Selling Entity
“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
“Selling Entity”	濰溪福潤禽類食品有限公司 (Suixi Furun Food Group Limited*), being entity incorporated in the PRC owned and/ or controlled by Mr. Zhu and his associates, which are principally engaged in the business of slaughtering of poultry and manufacture and sales of packaging materials.
“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, 26 October 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 RMB0.88529 to HK\$1.

** For identification purposes only*