

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.



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
HOGS PURCHASE FRAMEWORK AGREEMENTS**

THE HOGS PURCHASE FRAMEWORK AGREEMENTS

As the existing purchase framework agreements will expire on 31 December 2018, the Company has on 18 December 2018 entered into the Hogs Purchase Framework Agreements with the Selling Entities for the continual sourcing of hogs from the Selling Entities and/or their subsidiaries upon expiry of the existing purchase framework agreements. The Annual Caps for the financial years ending 31 December 2019, 2020 and 2021 are RMB45.94 million, RMB48.23 million and RMB50.64 million respectively.

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 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 Hogs Purchase Framework Agreements 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 of the Hogs Purchase Framework Agreements exceed 0.1% but are less than 5%, the transactions contemplated under the Hogs Purchase Framework Agreements 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 HOGS PURCHASE FRAMEWORK AGREEMENTS

The Company refers to its announcement dated 17 December 2015 regarding its sourcing of hogs from certain entities owned and/or controlled by Mr. Zhu for a term of three years commencing on 1 January 2016.

As the existing purchase framework agreements will expire on 31 December 2018, the Company has on 18 December 2018 entered into the Hogs Purchase Framework Agreements with the Selling Entities for the continual sourcing of hogs from the Selling Entities upon expiry of the existing purchase framework agreements.

The principal terms of the Hogs Purchase Framework Agreements are described below:

- Date** : 18 December 2018

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

(ii) in respect of the First Hogs Purchase Framework Agreement, Mr. Zhu’s Entities, as the seller; and in respect of the Second Hogs Purchase Framework Agreement, Ms. Wu’s Entity, as the seller. The Selling Entities are entities owned and/or controlled by Mr. Zhu and his associates.

- Term** : Commencing on 1 January 2019 and ending on 31 December 2021.

- Principal terms** : The Selling Entities shall and shall procure their respective subsidiaries to supply hogs to the Group for its production use.

- Pricing** : The price for the sourcing of hogs shall be determined on an arm’s length basis, and negotiated between the parties to the Hogs Purchase Framework Agreements 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 Entities pursuant to the Hogs Purchase Framework Agreements, 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 any of the Selling Entities for hogs, the price and other conditions at which such products are to be offered by the Selling Entities 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 hogs required for the coming month not less than seven days prior to the end of the month. The buyer shall settle the payment within seven days after the weight of the hogs is determined. The buyer shall notify the seller two days prior to the intended date of delivery in respect of the delivery arrangement.

- Other** : Save for the identity of the sellers, being Mr. Zhu’s Entities for the First Hogs Purchase Framework Agreement and Ms. Wu’s Entity for the Second Hogs Purchase Framework Agreement, the terms of the First Hogs Purchase Framework Agreement and the Second Hogs Purchase Framework Agreement are identical.

Proposed Annual Caps

The historical purchase amounts of hogs by the Group from the Selling Entities and the Annual Caps pursuant to the Hogs Purchase Framework Agreements are set out below:

| Historical transaction amounts (financial year ended/period ended) | RMB | Equivalent to approximately (HK\$) |
|---|---------------|---|
| 31 December 2016 | 13.20 million | 15.41 million (<i>Note 1</i>) |
| 31 December 2017 | 2.95 million | 3.41 million (<i>Note 1</i>) |
| 31 October 2018 (unaudited, based on the Group's management accounts) | 1.10 million | 1.25 million |
| Annual Caps (financial year ending) (<i>Note 2</i>) | | |
| 31 December 2019 | 45.94 million | 52.09 million |
| 31 December 2020 | 48.23 million | 54.69 million |
| 31 December 2021 | 50.64 million | 57.42 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 2016 and 2017, respectively.

Note 2: the above annual caps per year will not exceed 1% of the estimated total purchases of hogs of the Group for 2018.

The Annual Caps are determined with reference to the actual purchase amount of hogs by the Group from the Selling Entities under the existing purchase framework agreements, taking into account the anticipated demand for hogs of the Group based on the variety of products offered by the Group and its business growth and the anticipated inflation. The Directors expected that the slaughtering volume from 2019 to 2021 will increase and the Group is more prudent on the sourcing of hogs due to the recent outbreak of African Swine Fever in the PRC. The Directors believe that sourcing hogs directly from large-scale hog breeding companies is more reliable, particularly with respect to quality control and epidemic prevention, and therefore it is for the benefit of the Group to increase the purchase from those quality hog suppliers in the market, like the Seller Entities.

REASONS FOR ENTERING INTO THE HOGS PURCHASE FRAMEWORK AGREEMENTS

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 hogs from the Selling Entities, as the Selling 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 Selling Entities.

DIRECTORS' CONFIRMATION

The Directors (including the independent non-executive Directors) are of the opinion that the continuing connected transactions under the Hogs Purchase Framework Agreements 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 Hogs Purchase Framework Agreements, 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, Ms. Wu and the Selling Entities

The controlling shareholder of Mr. Zhu's 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 controlling shareholder of Ms. Wu's Entity is Ms. Wu and Ms. Wu is the spouse of Mr. Zhu.

The Selling Entities are entities incorporated in the PRC and Hong Kong owned and/or controlled by Mr. Zhu and his associates, which are principally engaged in the business of breeding and/or sales of hogs.

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 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 Hogs Purchase Framework Agreements 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 of the Hogs Purchase Framework Agreements exceed 0.1% but are less than 5%, the transactions contemplated under the Hogs Purchase Framework Agreements 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 2021 under the Hogs Purchase Framework Agreements, 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 |
| “First Hogs Purchase Framework Agreement” | the agreement dated 18 December 2018 entered into between the Company and Mr. Zhu’s Entities in relation to the sourcing of hogs by the Group from Mr. Zhu’s 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 |
| “Hogs Purchase Framework Agreements” | the First Hogs Purchase Framework Agreement and the Second Hogs Purchase Framework Agreement |
| “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 |

| | |
|--|--|
| “Mr. Zhu’s Entities” | 江蘇雨潤肉類產業集團有限公司 (Jiangsu Yurun Food Group Company Limited*), 南京雨潤養殖產業集團有限公司 (Nanjing Yurun Breeding Group 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 breeding and/or sales of hogs |
| “Ms. Wu” | Ms. Wu Xueqin, the spouse of Mr. Zhu, and a connected person of the Company |
| “Ms. Wu’s Entity” | Success Legend Development Ltd, being a company incorporated in Hong Kong owned and controlled by Ms. Wu, which are principally engaged in the business of breeding and/or sales of hogs |
| “RMB” | Renminbi, the lawful currency of the PRC |
| “Second Hogs Purchase Framework Agreement” | the agreement dated 18 December 2018 entered into between the Company and Ms. Wu’s Entity in relation to the sourcing of hogs by the Group from Ms. Wu’s Entity |
| “Selling Entities” | Mr. Zhu’s Entities and Ms. Wu’s Entity |
| “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, 18 December 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 RMB0.88194 to HK\$1.

** For identification purposes only*