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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 TRANSACTION**

The Board is pleased to announce that on 30 May 2019, Corn Industry, the wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement with Shandong Jianyuan Grease, pursuant to which Corn Industry agreed to procure from Shandong Jianyuan Grease rice oil of quality standard set out in the Sale and Purchase Agreement. The Directors estimated that the annual purchase fee for the three financial years ending 31 December 2021 will not exceed RMB15,000,000, RMB20,000,000 and RMB25,000,000, respectively.

### **Listing Rules Implication**

Shandong Jianyuan Grease is a wholly-owned subsidiary of Shandong Sanxing, which is the controlling shareholder of the Company and held approximately 52.14% of the issued share capital of the Company as at the date of this announcement. Therefore, Shandong Jianyuan Grease is a connected person of the Company under the Listing Rules. The transactions under the Purchase and Purchase Agreement constitutes continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

The application ratios for the transactions contemplated under the Sale and Agreement exceed 0.1% but below 5%, the transactions to be contemplated under the Sale and Purchase Agreement is subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules and is exempt from approval of the independent shareholders.

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## **SALE AND PURCHASE AGREEMENT**

### **Date**

30 May 2019

### **Parties**

- A. Corn Industry, a wholly-owned subsidiary of the Company
- B. Shandong Jianyuan Grease

### **Subject Matter**

Pursuant to the Sale and Purchase Agreement, pursuant to which Corn Industry agreed to procure from Shandong Jianyuan Grease rice oil of quality standard set out in the Sale and Purchase Agreement.

### **Term**

The term of the Sale and Purchase Agreement is three years commencing with retrospective effect from 1 January 2019 and expiring on 31 December 2021.

Corn Industry purchased from Shandong Jianyuan Grease rice oil amounted to RMB868,179 for the period from 1 January 2019 to 30 April 2019.

### **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 Board, and the signing of the Sale and Purchase Agreement.

### **Pricing**

The unit price of the rice oil under the Sale and Purchase Agreement is determined by the parties with reference to the monthly average market price. The monthly market average price is published by the professional consulting company on the Internet and updated daily (for example, [www.chem99.com](http://www.chem99.com) and [www.cofeed.com](http://www.cofeed.com)). The unit price shall 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 Method**

The purchase price is cash on delivery, and Shandong Jianyuan Grease must issue a specific VAT invoice within 10 days after Corn Industry has finished delivery.

## **Business nature of Shandong Jianyuan Grease**

Shandong Jianyuan Grease is a company established in the PRC and its principal business is rice oil refining and sales.

## **Annual Cap**

Having considered (among other things) (i) the completion of the new pressurization capacity of the headquarters with the annual production capacity of rice oil of approximately 100,000 tons, the Group still needs to purchase rice oil; (ii) the market average highest price for the year ended 31 December 2018; and (iii) estimated future sales and refining production of the Group's rice oil products. The Directors estimate the annual purchase fee under the Sale and Purchase Agreement for the three financial years ending 31 December 2021 will not exceed RMB15,000,000, RMB20,000,000 and RMB25,000,000, respectively.

## **REASONS FOR ENTERING INTO THE PURCHASE AND SALE AGREEMENT**

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

Shandong Jianyuan Grease is mainly engaged in production and sales of rice oil.

According to the five-year business development plan, the Company has introduced other healthy oil products to enrich the longevity flower product category and absorb more potential consumer groups. Rice oil is one of the rich nutritious edible oils. It is one of the Company's other high-end products because of its unique nutritional content, oryzanol. In addition, rice oil can be used for high-temperature frying, so it is very suitable for Chinese cooking habits. The management of the Company believes that the current rice oil has just started in the Chinese market and there is much room for development in the future. In view of the fact that Shandong Jianyuan Grease is currently a company specializing in the production of rice oil, and its rice oil products is one of the few products can meet the Company's high quality standards. Taking into account the nutritional quality of the raw material supply or the product itself, purchasing from Shandong Jianyuan Grease can ensure the continuous supply of quality standard rice oil, which is beneficial to the Company's long-term development plan.

Based on the above with reference to the terms and conditions of the Sale and Purchase Agreement, the Directors (including the independent non-executive Directors, excluding the executive Directors, namely, Mr. Wang Mingxing, Mr. Wang Mingfeng and Mr. Wang Mingliang, who are deemed to be in the Sale and Purchase Agreement) considered it is fair and reasonable, and its terms are entered into on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

## LISTING RULES IMPLICATION

Shandong Jianyuan Grease is a wholly-owned subsidiary of Shandong Sanxing, which is the controlling shareholder of the Company and held approximately 52.14% of the issued share capital of the Company as at the date of this announcement. Therefore, Shandong Jianyuan Grease is a connected person of the Company under the Listing Rules. The transactions under the Purchase and Purchase Agreement constitutes continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

The application ratios for the transactions contemplated under the Sale and Agreement exceed 0.1% but below 5%, the transactions to be contemplated under the Sale and Purchase Agreement is subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules and is exempt from approval of the independent shareholders.

As executive Directors Mr. Wang Mingxing, Mr. Wang Mingfeng and Mr. Wang Mingliang respectively holds 24.4%, 24.8% and 24.4% of Shandong Sanxing, Mr. Wang Mingxing, Mr. Wang Mingfeng and Mr. Wang Mingliang are deemed to have material interests in the transactions contemplated under the Sale and Purchase Agreement and they have abstained from voting on the Board resolutions approving the Sale and Purchase Agreement and the transactions contemplated thereunder.

## DEFINITIONS

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

“Board”	the board of Directors
“Company”	Changshouhua Food Company Limited, a company incorporated in the Cayman Islands, whose shares 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 indirectly wholly-owned subsidiary of the Company as at the date of this announcement
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“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

“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 Corn Industry and Shandong Jianyuan Grease on 30 May 2019, pursuant to which Corn Industry agreed to procure from Shandong Jianyuan Grease rice oil of quality standard set out in the Sale and Purchase Agreement
“Shandong Jianyuan Grease”	山東健源油脂科技有限公司 (Shandong Jianyuan Grease Technology Company Limited*), a company established in the PRC with limited liability, and is wholly owned by Shandong Sanxing as at the date of this announcement
“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)
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

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

Hong Kong, 30 May 2019

*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*