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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  
POULTRY PURCHASE FRAMEWORK AGREEMENT  
AND**

**PIG BLOOD PRODUCTS SUPPLY FRAMEWORK AGREEMENT**

**THE POULTRY PURCHASE FRAMEWORK AGREEMENT**

As the existing purchase framework agreement will expire on 31 December 2019, the Company has on 13 December 2019 entered into the Poultry Purchase Framework Agreement with the Poultry Selling Entities for the continual sourcing of raw poultry meat and poultry products from the Poultry Selling Entities and/or their subsidiaries upon expiry of the existing purchase framework agreement.

**THE PIG BLOOD PRODUCTS SUPPLY FRAMEWORK AGREEMENT**

As the existing supply framework agreement will expire on 31 December 2019, the Company has on 13 December 2019 entered into the Pig Blood Products Supply Framework Agreement 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 upon expiry of the existing supply framework agreement.

**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 Poultry Selling Entities and 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 each of the Poultry Purchase Framework Agreement and the Pig Blood Products Supply Framework Agreement therefore respectively 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 each of the Poultry Purchase Framework Agreement and 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 each of the Poultry Purchase Framework Agreement and the Pig Blood Products Supply Framework Agreement are respectively subject to the reporting, annual review and announcement requirements but are exempted from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

## 1. THE POULTRY PURCHASE FRAMEWORK AGREEMENT

Reference is made to the announcement of the Company dated 20 December 2016 regarding its sourcing of raw poultry meat and poultry products from certain entities owned and/or controlled by Mr. Zhu for a term of three years commencing on 1 January 2017.

As the existing purchase framework agreement will expire on 31 December 2019, the Company has on 13 December 2019 entered into the Poultry Purchase Framework Agreement with the Poultry Selling Entities for the continual sourcing of raw poultry meat and poultry products from the Poultry Selling Entities upon expiry of the existing purchase framework agreement.

The principal terms of the Poultry Purchase Framework Agreement are described below:

- Date** : 13 December 2019
- Parties** : (i) the Company (for and on behalf of the members of the Group), as the buyer; and  
(ii) the Poultry Selling Entities, as the seller. The Poultry Selling Entities are entities owned and/or controlled by Mr. Zhu and his associates.
- Term** : Commencing on 1 January 2020 and ending on 31 December 2022.
- Principal Terms** : The Poultry Selling Entities shall and shall procure their respective subsidiaries to supply raw poultry meat and poultry products to the Group for its production use.
- Pricing basis** : The price for the sourcing of raw poultry meat and poultry products shall be determined on an arm's length basis with reference to such survey on information regarding local markets of the Group as conducted by the procurement and management departments of the Group, including comparison of quotations obtained from various suppliers, regular review of sourcing price of products, and corresponding adjustments, as and when appropriate, upon change in market price, and negotiated between the parties to the Poultry 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 Poultry Selling Entities pursuant to the Poultry 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 any of the Poultry Selling Entities for the poultry products, the price and other conditions at which such products are to be offered by the Poultry Selling Entities shall be no less favourable than those offered by the independent third parties to the Group.

All sourcing of raw poultry meat and poultry products, including such prices at which the Group sources raw poultry meat and poultry products from the Poultry Selling Entities, must be approved by the person-in-charge of the procurement and management departments of the Group to ensure that such prices are not higher than those offered by other independent third parties.

**Delivery and payment arrangements** : The buyer shall send a purchase order to the seller specifying the quantity and types of raw poultry meat and poultry 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 delivery. The buyer shall notify the seller two days prior to the intended date of delivery in respect of the delivery arrangement.

### **Proposed annual caps**

The historical purchase amounts of poultry products by the Group from the Poultry Selling Entities and the annual caps for the continuing connected transactions contemplated under the Poultry Purchase Framework Agreement are set out below:

<b>Historical transaction amounts (financial year ended/period ended)</b>	<b>RMB</b>	<b>Equivalent to approximately (HK\$)</b>
31 December 2017	50.8 million	58.7 million ( <i>Note</i> )
31 December 2018	48.1 million	56.9 million ( <i>Note</i> )
31 October 2019 (unaudited, based on the Group's management accounts)	36.7 million	40.8 million
<b>Annual caps (financial year ending)</b>		
31 December 2020	50.0 million	55.6 million
31 December 2021	52.5 million	58.4 million
31 December 2022	55.2 million	61.4 million

*Note: 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 2018 respectively.*

The annual caps under the Poultry Purchase Framework Agreement are determined with reference to the actual purchase amount of raw poultry meat and poultry products by the Group from the Poultry Selling Entities under the existing purchase framework agreement, taking into account of the anticipated demand for raw poultry meat and poultry products of the Group and the increase in the variety of products offered by the Group and its business growth, the anticipated inflation and increase in the market price of raw poultry meat and poultry products during the term of the Poultry Purchase Framework Agreement.

## **REASONS FOR ENTERING INTO THE POULTRY 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 continue the present arrangements with respect to its sourcing of raw poultry meat and poultry products from the Poultry Selling Entities, as the Poultry 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 Poultry Selling Entities.

## **DIRECTORS' CONFIRMATION**

The Directors (including the independent non-executive Directors) are of the opinion that the continuing connected transactions under the Poultry 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 Poultry 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 Poultry Selling Entities*

The controlling shareholder of the Poultry Selling 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 Poultry Selling 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 meat processing, manufacturing and sales of poultry and poultry products.

**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 Poultry 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 Poultry 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 Poultry Purchase Framework Agreement are, on an annual basis, more than 0.1% but are less than 5%, the transactions contemplated under the Poultry 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.

**2. 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 for a term of three years commencing on 1 January 2017 and the announcement of the Company dated 18 September 2018 regarding revision of the existing annual cap of the Pig Blood Products Supply Framework Agreement.

As the existing supply framework agreement will expire on 31 December 2019, the Company has on 13 December 2019 entered into the Pig Blood Products Supply Framework Agreement with the Pig Blood Products Purchasing Entities for the continual supply of pig blood products to the Pig Blood Products Purchasing Entities upon expiry of the existing supply framework agreement.

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

- Date** : 13 December 2019
- 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 2020 and ending on 31 December 2022.
- 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 basis** : 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, with reference to such survey on information regarding local

markets 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 by the Group.

All supply of pig blood products, including such prices at which the Group supplies pig blood products to the Pig Blood Products Purchasing Entities, must be approved by the person-in-charge of the upstream chilled and frozen meat business departments of the Group to ensure that such prices are not lower than those offered to other independent third parties.

**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 for the continuing connected transactions contemplated under the Pig Blood Products Supply Framework Agreement are set out below:

<b>Historical transaction amounts (financial year ended/period ended)</b>	<b>RMB</b>	<b>Equivalent to approximately (HK\$)</b>
31 December 2017	9.3 million	10.7 million ( <i>Note</i> )
31 December 2018	13.4 million	15.9 million ( <i>Note</i> )
31 October 2019 (unaudited, based on the Group's management accounts)	3.0 million	3.3 million
<b>Annual caps (financial year ending)</b>		
31 December 2020	39.0 million	43.4 million
31 December 2021	46.8 million	52.0 million
31 December 2022	56.0 million	62.2 million

*Note: 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 2018 respectively.*

The 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.

## **REASONS FOR ENTERING INTO THE PIG BLOOD PRODUCTS SUPPLY 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 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. The Directors consider 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 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
“Poultry Purchase Framework Agreement”	the agreement dated 13 December 2019 entered into between the Company and Poultry Selling Entities in relation to the sourcing of raw poultry meat and poultry products by the Group from Poultry Selling Entities



“Pig Blood Products Supply Framework Agreement”	the agreement dated 13 December 2019 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
“Poultry Selling Entities”	江蘇雨潤肉類產業集團有限公司 (Jiangsu Yurun Food Group Limited*) and 南京雨潤禽類產業集團有限公司 (Nanjing Yurun Poultry Group Limited*) and such entities as owned and/or controlled by them, being entities incorporated in the PRC owned and/or controlled by Mr. Zhu and his associates, which are principally engaged in the business of meats processing, manufacturing and sales of poultry and poultry products
“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

**Zhu Yuan**

*Chairman*

The PRC, 13 December 2019

*As at the date of this announcement, the executive directors of the Company are Zhu Yuan, 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 RMB0.89962 to HK\$1.*

*\* For identification purposes only*