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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 ANNUAL CAP FOR THE  
PRODUCTS CONSIGNMENT AGREEMENT**

Reference is made to the continuing connected transactions between Nanjing Yurun Chain and Nanjing Emporium Group in relation to the Products Consignment Agreement dated 10 January 2020, details of which were disclosed in the Announcement.

In view of the increase in demand for the products sold by Nanjing Emporium Group on Nanjing Yurun Chain's behalf and the historical Consignment Fee during the period from 10 January to 20 September 2020, it is expected that the annual cap for the Consignment Fee that would be incurred by the Group under the Products Consignment Agreement will become insufficient. Accordingly, on 30 September 2020, Nanjing Yurun Chain and Nanjing Emporium Group entered into the Supplemental Agreement to revise the relevant annual cap.

**LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios as set out in Rule 14.07 of the Listing Rules in respect of the revised annual cap exceed 0.1%, but all of the applicable percentage ratios are less than 5%, the transactions contemplated under the Products Consignment Agreement and the Supplemental Agreement (including the revision of the annual cap) are subject to the reporting and announcement requirements but exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

**BACKGROUND**

Reference is made to the continuing connected transactions between Nanjing Yurun Chain and Nanjing Emporium Group in relation to the Products Consignment Agreement dated 10 January 2020, details of which were disclosed in the Announcement.

As disclosed in the Announcement, pursuant to the Products Consignment Agreement made between Nanjing Yurun Chain and Nanjing Emporium Group, Nanjing Emporium Group will sell Nanjing Yurun Chain's products on behalf of Nanjing Yurun Chain and Nanjing Yurun Chain will pay Nanjing Emporium Group the Consignment Fee for a term commencing on 10 January and ending on 31 December 2020. The existing annual cap for the Consignment Fee contemplated under the Products Consignment Agreement is RMB6,000,000 (equivalent to approximately HK\$6,700,000)(*Note 1*). Further relevant details of the continuing connected transactions were disclosed in the Announcement.

*Note 1: the conversion of RMB into HK\$ is based on the approximate exchange rate used in the Announcement.*

## **REVISION OF ANNUAL CAP UNDER THE PRODUCTS CONSIGNMENT AGREEMENT**

In view of the increase in demand for the products sold by Nanjing Emporium Group on Nanjing Yurun Chain's behalf and the historical Consignment Fee of up to approximately RMB5.89 million (equivalent to approximately HK\$6.49 million) (*Note 2*) (unaudited, based on the Group's management accounts) during the period from 10 January to 20 September 2020, it is expected that the annual cap for the Consignment Fee that would be incurred by the Group under the Products Consignment Agreement will become insufficient. Accordingly, on 30 September 2020, Nanjing Yurun Chain and Nanjing Emporium Group entered into the Supplemental Agreement to revise the relevant annual cap from RMB6,000,000 to RMB10,000,000 (equivalent to approximately HK\$11,400,000). Save for the revision in the annual cap, the terms of the Products Consignment Agreement have not been changed or modified in any way and the major terms were set out in the section headed "1. Products Consignment Agreement" in the Announcement.

The revised annual cap is determined with reference to the following:

- (i) the historical sales volume of the products sold by Nanjing Emporium Group and the corresponding Consignment Fees paid by the Group during the period from 10 January to 20 September 2020;
- (ii) the anticipated sales volume of the products to be sold by Nanjing Emporium Group and the corresponding Consignment Fees to be paid to Nanjing Emporium Group during the rest of the term of the Products Consignment Agreement; and
- (iii) after deducting the Consignment Fee, the profit generated from the sale of products by the Group through Nanjing Emporium Group shall be no less than the sale of products by the Group through other independent third parties on normal commercial terms during the relevant period.

*Note 2: the conversion of RMB into HK\$ is based on the exchange rate used in the interim report of the Company for the six months ended 30 June 2020.*

## **REASONS FOR AND BENEFITS FOR THE REVISION OF ANNUAL CAPS**

The Company has been closely monitoring the demand of its products in the wholesale and retail platforms of Nanjing Emporium Group. Based on the historical Consignment Fees during the period from 10 January to 20 September 2020, the Directors anticipated that there will be an increase in the annual sales volume and therefore the proposed annual caps should be revised upward accordingly.

## **INTERNAL CONTROL PROCEDURES**

The Company will continue to adopt and implement the internal control procedures set out in the section headed “1. Products Consignment Agreement - Internal Control Procedures” in the Announcement when carrying out the continuing connected transactions contemplated under the Products Consignment Agreement and the Supplemental Agreement.

## **DIRECTORS’ CONFIRMATION**

The Directors (including the independent non-executive Directors) are of the opinion that the continuing connected transactions under the Products Consignment Agreement and the Supplemental Agreement will continue to be carried out in the ordinary and usual course of business of the Group, and the Products Consignment Agreement and the Supplemental Agreement (including the revision of the annual cap) are on normal commercial terms which are fair and reasonable and in the interests of the Company and the shareholders of the Company as a whole.

Ms. Zhu Yuan, the executive Director of the Company, is a director of Nanjing Emporium Group. Also, as Ms. Zhu Yuan is the daughter of Mr. Zhu, she is therefore an associate of Mr. Zhu who has a material interest in the Products Consignment Agreement and the Supplemental Agreement (including the revision of the annual cap). Since Ms. Zhu Yuan has a material interest in the transactions contemplated under the Products Consignment Agreement and the Supplemental Agreement, she has abstained from voting on the Board meeting approving such transactions.

Save as disclosed above, none of the Directors has a material interest in the Products Consignment Agreement and the Supplemental Agreement (including the revision of the annual cap) and has abstained from voting on the Board meeting approving such 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.

### *Nanjing Yurun Chain*

Nanjing Yurun Chain, a company incorporated in the PRC, is an indirect wholly-owned subsidiary of the Company. It is principally engaged in wholesale and retail business.

### *Nanjing Emporium Group*

Nanjing Emporium Group is a company incorporated in the PRC with its shares listed on the Shanghai Stock Exchange. It is principally engaged in the department store retail business and real estate development business. As at the date of this announcement, Nanjing Emporium Group is held as to 41.51% interest by Mr. Zhu, 14.50% interest by Jiangsu Dihua, a company controlled by Mr. Zhu, and the remaining 43.99% interest by other shareholders of Nanjing Emporium Group.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, Mr. Zhu is the beneficial owner who holds the single largest percentage interest in Nanjing Emporium Group, and other shareholders of Nanjing Emporium Group are independent third parties.

## **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. Nanjing Emporium Group, a company being owned and/or controlled by Mr. Zhu, is an associate of Mr. Zhu and is a connected person of the Company. The transactions contemplated under the Products Consignment Agreement and the Supplemental Agreement therefore constitute continuing connected transactions of the Company under the Listing Rules.

As one or more of the applicable percentage ratios as set out in Rule 14.07 of the Listing Rules in respect of the revised annual cap exceed 0.1%, but all of the applicable percentage ratios are less than 5%, the transactions contemplated under Products Consignment Agreement and the Supplemental Agreement (including the revision of the annual cap) are subject to the reporting and announcement requirements but exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **DEFINITIONS**

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

“Announcement”

the Company's announcement dated 10 January 2020 in relation to continuing connected transactions contemplated under the Products Consignment Agreement

“associate”	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) for the purpose of this announcement
“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
“Consignment Fee”	the consignment fee payable to Nanjing Emporium Group by Nanjing Yurun Chain, representing 20% of the sales amount of products sold by Nanjing Emporium Group pursuant to the Products Consignment Agreement
“Director(s)”	the director(s) of the Company
“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 parties”	third party(ies) that is /are independent of and not connected with the Company and its connected persons
“Jiangsu Dihua”	江蘇地華實業集團有限公司 (Jiangsu Dihua Industrial Group Co. Ltd*), a company incorporated in the PRC and controlled by Mr. Zhu
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Zhu”	Zhu Yicai, a substantial shareholder, a former executive director of the Company, and a connected person of the Company
“Nanjing Emporium Group”	南京中央商場(集團)股份有限公司 (Nanjing Emporium (Group) Co. Ltd*), a company incorporated in the PRC with its shares listed on the Shanghai Stock Exchange. It is principally engaged in the department store retail business and real estate development business

“Nanjing Yurun Chain”	南京雨潤連鎖經營管理有限公司 (Nanjing Yurun Chain Management Co. Ltd*), a company incorporated in the PRC, an indirect wholly-owned subsidiary of the Company which is principally engaged in wholesale and retail business
“Products Consignment Agreement”	the agreement dated 10 January 2020 entered into between Nanjing Emporium Group and Nanjing Yurun Chain in relation to the selling of Nanjing Yurun Chain’s Products by Nanjing Emporium Group on behalf of Nanjing Yurun Chain
“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
“Supplemental Agreement”	The supplemental agreement to the Products Consignment Agreement dated 30 September 2020 entered into between Nanjing Yurun Chain and Nanjing Emporium Group
“%”	per cent

By Order of the Board  
**Zhu Yuan**  
Chairman

The PRC, 30 September 2020

*As at the date of this announcement, the executive directors of the Company are Zhu Yuan and Yang Linwei; 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 RMB0.87962 to HK\$1.*

*\* For identification purposes only*