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CHINA YURUN FOOD GROUP LIMITED

中國雨潤食品集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1068)

CONTINUING CONNECTED TRANSACTIONS HOGS PURCHASE FRAMEWORK AGREEMENT

THE HOGS PURCHASE FRAMEWORK AGREEMENT

Reference is made to the announcement of the Company dated 18 December 2018 (the “**Announcement**”). As disclosed in the Announcement, the Company entered into a Hogs Purchase Framework Agreement with 江蘇雨潤肉類產業集團有限公司 (Jiangsu Yurun Meat Group Company Limited*) and 南京雨潤養殖產業集團有限公司 (Nanjing Yurun Breeding Group Company Limited*) on 18 December 2018 (hereafter, the “**Existing Purchase Framework Agreement**”). As the Existing Purchase Framework Agreement will expire on 31 December 2021, the Company has on 21 December 2021 entered into the Hogs Purchase Framework Agreement with the Selling Entities for the continual sourcing of hogs from the Selling Entities and/or their respective subsidiaries upon expiry of the Existing Purchase Framework Agreement. The Annual Caps for the financial years ending 31 December 2022, 2023 and 2024 are RMB11 million, RMB14 million and RMB18 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 ultimately 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 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 of the Hogs Purchase Framework Agreement exceed 0.1% but are less than 5%, the transactions contemplated under the Hogs 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 HOGS PURCHASE FRAMEWORK AGREEMENT

The Company refers to the Announcement regarding its sourcing of hogs from certain entities ultimately owned and/or controlled by Mr. Zhu for a term of three years commencing on 1 January 2019.

As the Existing Purchase Framework Agreement will expire on 31 December 2021, the Company has on 21 December 2021 entered into the Hogs Purchase Framework Agreement with the Selling Entities for the continual sourcing of hogs from the Selling Entities upon expiry of the Existing Purchase Framework Agreement.

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

- Date** : 21 December 2021
- Parties** : (i) the Company (for and on behalf of the members of the Group), as the buyer; and
(ii) the Selling Entities, which are entities ultimately owned and/or ultimately controlled by Mr. Zhu and his associates.
- Term** : Commencing on 1 January 2022 and ending on 31 December 2024.
- 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 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 Entities pursuant to the Hogs Purchase Framework Agreement, 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 relevant buyer (being a member of the Group) 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 month. The relevant buyer (being a member of the Group) shall settle the payment within seven days after the weight of hogs has been determined. The

relevant buyer (being a member of the Group) 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 hogs paid by the Group to the Selling Entities in respect of the transactions contemplated under the Existing Purchase Framework Agreement and the proposed Annual Caps for the continuing connected transactions pursuant to the Hogs Purchase Framework Agreement are set out below:

Historical transaction amounts (financial year ended/period ended)	RMB	HK\$ (Equivalent approximate)
31 December 2019	10.28 million	11.68 million (<i>Note</i>)
31 December 2020	22.08 million	24.84 million (<i>Note</i>)
31 October 2021 (unaudited, based on the Group's management accounts)	13.21 million	16.12 million
Annual Caps (financial year ending)		
31 December 2022	11.00 million	13.50 million
31 December 2023	14.00 million	17.10 million
31 December 2024	18.00 million	22.00 million

Note: the conversion of RMB into HK\$ is based on the exchange rate used in the annual report of the Company for the years 2019 and 2020, respectively.

The Annual Caps are determined with reference to the actual purchase amount of hogs paid by the Group to the Selling Entities under the Existing Purchase Framework Agreement, taking into account the Group's anticipated demand for hogs, the variety of products that the Group offers, its business development and the anticipated inflation.

REASONS FOR ENTERING INTO THE HOGS 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 is more prudent as to the sourcing of hogs due to the outbreak of African Swine Fever in the PRC in recent years. 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 the purchase from quality hog suppliers in the market (such as the Seller Entities) is beneficial to the Group. The Group has decided to continue with the existing arrangements and continue with sourcing hogs from the Selling Entities, as the Selling Entities are stable and reliable suppliers of quality raw poultry meat, and the Directors believe it is cost-effective and efficient to source such products from the Selling Entities.

INTERNAL CONTROL PROCEDURES

Regarding the Hogs Framework Agreement, the Directors are of the view that the Company has implemented adequate internal control procedures and steps when carrying out the continuing connected transactions contemplated under the agreement.

To protect the interests of the Company and the shareholders of the Company as a whole, the Company has adopted and will continue to carry out the following internal control measures:

- (a) the fresh meat department will consider the Group's brand image, product positioning, brand image of agency channels and target customers so as to select the suitable suppliers;
- (b) the staff of the fresh meat department will compare the purchase price payable to other similar type of suppliers who sell similar products, and be responsible to negotiate the purchase price on an arm's length basis. The purchase price will then be approved by the person-in-charge of such department to ensure that the purchase price payable to the connected persons through this channel of procurement is not higher than the purchase price payable to independent third parties which sell same type of products to the Group based on normal commercial terms after arm's length negotiation during the relevant period;
- (c) the Group will continuously monitor the continuing connected transactions on a monthly basis to ensure that the total transaction amount will not exceed the proposed Annual Cap. If the accumulated transaction amount is close to the proposed Annual Cap, the management of the Company will renew the proposed Annual Cap or suspend the transaction, as appropriate;
- (d) the Company's external auditors will conduct an annual review of the transactions contemplated under the Hogs Purchase Framework Agreement to ensure that the transaction amounts fall within the proposed Annual Cap and that such transactions are conducted in accordance with the terms set out in the agreement;
- (e) the independent non-executive Directors will conduct an annual review of the status of the transactions contemplated under the Hogs Purchase Framework Agreement to ensure that the Company has complied with the internal approval procedures, the terms of the Hogs Purchase Framework Agreement and the relevant requirements under the Listing Rules; and
- (f) the internal audit function of Group will, from time to time, review and conduct sample checks on the relevant transaction documents, and ensure that the pricing basis and internal control procedures are complied with.

DIRECTORS' CONFIRMATION

The Directors (including the independent non-executive Directors) are of the opinion that the continuing connected transactions under the Hogs Purchase Framework Agreement will 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 its shareholders as a whole.

Ms. Zhu Yuan, an executive Director of the Company, is the daughter of Mr. Zhu, and she is therefore an associate of Mr. Zhu who has a material interest in the Hogs Purchase Framework Agreement. Since Ms. Zhu Yuan has a material interest in the transactions contemplated under the Hogs Purchase Framework 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 Hogs Purchase Framework Agreement and 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 Entities

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

As at the date of this announcement, the Selling Entities comprise 江蘇雨潤肉類產業集團有限公司 (Jiangsu Yurun Meat Group Company Limited*) (“**Jiangsu Yurun Meat**”) and 南京雨潤養殖產業集團有限公司 (Nanjing Yurun Breeding Group Company Limited*) (“**Nanjing Yurun Breeding**”). Jiangsu Yurun Meat is held as to 73.07% interest by Mr. Zhu, 3.85% interest by Ms. Wu and the remaining 23.08% interest by an independent third party. Nanjing Yurun Breeding is held as to 74.42% interest by Mr. Zhu, 3.65% interest by Ms. Wu and the remaining 21.93% interest by an independent third party. As such, Mr. Zhu is deemed to hold 76.92% interest in Jiangsu Yurun Meat and 78.07% interest in Nanjing Yurun Breeding, and Mr. Zhu is the beneficial owner who holds the single largest percentage interest in the Selling Entities.

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 ultimately 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 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 of the Hogs Purchase Framework Agreement exceed 0.1% but are less than 5%, the transactions contemplated under the Hogs 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:

“Annual Caps”	the proposed annual caps of the transaction amounts of each of the three financial years ending 31 December 2024 under the Hogs Purchase Framework Agreement, 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 (for the purpose of this announcement excludes 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
“Existing Purchase Framework Agreement”	the agreement dated 18 December 2018 entered into between the Company and the Selling Entities in relation to the sourcing of hogs from the Selling Entities to the Group, as disclosed in the announcement of the Company dated 18 December 2018
“Hogs Purchase Framework Agreement”	the agreement dated 21 December 2021 entered into between the Company and Selling Entities in relation to the sourcing of hogs by from Selling Entities to the Group
“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 Entities”	江蘇兩潤肉類產業集團有限公司 (Jiangsu Yurun Meat Group Company Limited*) and 南京兩潤養殖產業集團有限公司 (Nanjing Yurun Breeding Group Company Limited*), being entities incorporated in the PRC ultimately 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
“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 in the Listing Rules
“%”	per cent

By Order of the Board
Zhu Yuan
Chairman

Hong Kong, 21 December 2021

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 RMB0.81934 to HK\$1.

** For identification purposes only*