

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 UNDER THE RAW PORK SUPPLY FRAMEWORK AGREEMENT

THE RAW PORK SUPPLY FRAMEWORK AGREEMENT

The Board is pleased to announce that the Company has on 18 August 2022 entered into the Raw Pork Supply Framework Agreement with the Raw Pork Purchasing Entities for the supply of raw pork to the Raw Pork Purchasing Entities and/or their respective subsidiaries and/or associates. The proposed Annual Caps for the financial years ending 31 December 2022, 2023 and 2024 are RMB41 million, RMB41 million and RMB41 million (equivalent to approximately HK\$47.4 million, HK\$47.4 million and HK\$47.4 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 Raw Pork Purchasing Entities are entities owned and/or controlled by the New Platform. As the New Platform is held as to approximately 33.00% by Mr. Zhu, the Raw Pork Purchasing Entities have become connected persons of the Company under the Listing Rules. The transactions contemplated under the Raw Pork 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 proposed Annual Caps of the Raw Pork Supply Framework Agreement exceed 0.1% but are less than 5%, the transactions contemplated under the Raw Pork 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.

Ms. Zhu Yuan, an executive Director of the Company, is the daughter of Mr. Zhu. Ms. Zhu is therefore an associate of Mr. Zhu who has a material interest in the Raw Pork Supply Framework Agreement. Since Ms. Zhu Yuan has a material interest in the transactions contemplated under the Raw Pork Supply Framework Agreement, she has abstained from voting at the Board meeting approving such transactions.

THE RAW PORK SUPPLY FRAMEWORK AGREEMENT

The Board is pleased to announce that the Company has on 18 August 2022 entered into the Raw Pork Supply Framework Agreement with the Raw Pork Purchasing Entities for the supply of raw pork to the Raw Pork Purchasing Entities and/or their respective subsidiaries and/or associates. The principal terms of the Raw Pork Supply Framework Agreement are described below:

- Date** : 18 August 2022
- Parties** : (i) the Company (for and on behalf of the members of the Group), as the supplier; and
(ii) the Raw Pork Purchasing Entities, as the buyer.
- Term** : Commencing on 18 August 2022 and ending on 31 December 2024.
- Principal Terms** : The Company shall supply raw pork to the Raw Pork Purchasing Entities and/or their respective subsidiaries and/or associates for their business use.
- Pricing basis** : The sales price for the raw pork shall be determined on an arm's length basis, and negotiated between the parties to the Raw Pork 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 sold by the Group to other independent third parties on an arm's length basis and normal commercial terms for the same type of products in the same site area during the relevant period.
- The Group may from time to time as it considers appropriate provide to the Raw Pork Purchasing Entities the sales records of the raw pork it offered to other independent third parties or other price quotations for the supply of raw pork obtained from the independent third parties as the market reference price of such products. If the Group proceeds to enter into a purchase order with the Raw Pork Purchasing Entities, the price and other conditions at which such products are to be offered by the Group shall be no more favourable than those offered to the independent third parties by the Group.
- Delivery and payment arrangements** : The buyer shall send a purchase order to the supplier specifying the quantity and types of raw pork required for the coming month not less than seven days prior to the end of the month. The sales price of the raw pork shall be determined when the purchase order is submitted. The buyer shall settle the payment within seven days after the quantity and types of raw pork to be delivered are confirmed. The buyer shall notify the supplier two days prior to the intended date of delivery in respect of the delivery arrangement.

HISTORICAL TRANSACTION AMOUNT AND THE PROPOSED ANNUAL CAPS

No historical transaction amount is available since the Group has not entered into any similar supply agreement with the Raw Pork Purchasing Entities previously in respect of the supply of raw pork. The proposed Annual Caps for the financial years ending 31 December 2022, 2023 and 2024 are RMB41 million, RMB41 million and RMB41 million (equivalent to approximately HK\$47.4 million, HK\$47.4 million and HK\$47.4 million), respectively.

The proposed Annual Caps are determined with reference to the anticipated demand for raw pork by the Raw Pork Purchasing Entities and the production level and supply of raw pork of the Group's production plants, the anticipated inflation and increase in the market price of raw pork during the term of the Raw Pork Supply Framework Agreement.

REASONS FOR ENTERING INTO THE RAW PORK 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 Raw Pork Purchasing Entities are principally engaged in the business of meat processing, sales of meat products and retail businesses. It is expected that the Raw Pork Supply Framework Agreement would allow the Group to supply quality raw pork to the Raw Pork Purchasing Entities. The Directors believe that the Raw Pork Supply Framework Agreement provides a cost-effective and efficient arrangement to supply raw pork to the Raw Pork Purchasing Entities which will generate steady revenue and profit and beneficial to the shareholders of the Group as a whole.

INTERNAL CONTROL PROCEDURES

To protect the interests of the Company and the shareholders as a whole, the Company has adopted and will continue to carry out the following internal control measures when carrying out the continuing connected transactions contemplated under the Raw Pork Supply Framework Agreement:

- (a) the fresh meat department will consider the Group's brand image, product positioning, brand image of target customers so as to select the suitable buyers;
- (b) the staff of the fresh meat department will regularly compare the sales price offered to other similar type of buyers who buy similar products, and be responsible to negotiate the sales price on an arm's length basis. The sales price will then be approved by the person-in-charge of such department to ensure that the sales price offered to the connected persons through this supply channel is not lower than the sales price offered to independent third parties which buy same type of products from the Group based on normal commercial terms after arm's length negotiation during the relevant period;
- (c) the Group will continue to monitor the continuing connected transactions on a monthly basis to ensure that the total transaction amounts will not exceed the proposed Annual Caps. If the accumulated transaction amount is close to the proposed Annual Caps, the management of the Company will renew the proposed Annual Caps or suspend the transaction, as appropriate;
- (d) the Company's external auditors will conduct an annual review of the transactions contemplated under the Raw Pork Supply Framework Agreement to ensure that the transaction amounts fall within the Annual Caps and that such transactions are conducted in accordance with the terms set out in the Raw Pork Supply Framework Agreement;
- (e) the independent non-executive Directors will conduct an annual review of the status of the transactions contemplated under the Raw Pork Supply Framework Agreement to ensure that the Company has complied with the internal approval procedures, the terms of the Raw Pork Supply 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 have been observed and complied with.

DIRECTORS' CONFIRMATION

The Directors (including the independent non-executive Directors) are of the opinion that the continuing connected transactions under the Raw Pork Supply 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 the shareholders of the Company as a whole.

Ms. Zhu Yuan, an executive Director of the Company is the daughter of Mr. Zhu. Ms. Zhu is therefore an associate of Mr. Zhu who has a material interest in the Raw Pork Supply Framework Agreement. Since Ms. Zhu Yuan has a material interest in the transactions contemplated under the Raw Pork Supply Framework Agreement, she has abstained from voting at the Board meeting approving such transactions.

Save as disclosed above, none of the Directors has a material interest in the Raw Pork Supply Framework Agreement and has abstained from voting at 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 which focuses on the business of production of products under the “Haroulia” family of brands and the business of production of low-temperature and high-temperature meat products.

The Raw Pork Purchasing Entities

Jiangsu Yurun Meat Group and Nanjing Yurun

Jiangsu Yurun Meat Group and Nanjing Yurun are entities established under the laws of the PRC with limited liability which are principally engaged in the meat processing, sales of meat products and retail businesses. As at the date of this announcement, each of Jiangsu Yurun Meat Group and Nanjing Yurun is a wholly-owned subsidiary of the New Platform, which is a company established under the laws of the PRC to undertake the food and agricultural products logistics business under the two separate restructuring cases, namely, the Restructuring Case of 44 Companies and the Restructuring Case of 78 Companies which disclosed in the announcement dated 30 January 2022.

To the best knowledge, information and belief of the Directors having made all reasonable enquiry, the equity interests in the New Platform upon completion of the implementation of the Restructuring Plan are ultimately owned by (a) Mr. Zhu through China YH as to approximately 33.00%; (b) Nanjing Jiuha Food Development Centre (Limited Partnership) (南京久華食品產業發展中心(有限合夥)) as to approximately 7.00%, and Huarong Capital Management Co., Ltd. (華融資本管理有限公司) being its managing partner; (c) creditors of the Restructuring Case of 44 Companies and the Restructuring Case of 78 Companies who would convert their debts to equity interests in the New Platform, as to an aggregate approximately 37.29%; and (d) Specialized Limited Partnership 1 and Specialized Limited Partnership 2 (both are to be incorporated) as to approximately 7.15% and 15.56%, respectively, representing the pool of equity interests reserved, which according to the Restructuring Memorandum and the PRC Legal Opinion, the ultimate beneficial owner of such pool of equity interests will and can only be determined pursuant to the allocation based on the future business performance of the New Platform. As at the date of this announcement, Specialized Limited Partnership 1 and Specialized Limited Partnership 2 do not have an ultimate beneficial owner. To the best knowledge, information and belief of the Directors having made all reasonable enquiry, such creditors who would convert their debts to equity interests in the New Platform mainly include approximately 150 creditors which are financial institutions in the PRC, business partners of the 44 Restructuring Companies and 78 China YH Restructuring Companies, which are independent third parties.

For details of the consolidated restructuring and the defined terms used in the section headed “Information on the Parties – The Raw Pork Purchasing Entities – Jiangsu Yurun Meat Group and Nanjing Yurun” in this announcement, please refer to the announcement of the Company dated 30 January 2022 in relation to the Restructuring Case of 44 Companies.

Save as disclosed herein, to the best knowledge, information and belief of the Directors having made all reasonable enquiry, the abovementioned ultimate beneficial owners of Jiangsu Yurun Meat Group and Nanjing Yurun 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. The Raw Pork Purchasing Entities, being entities owned and/or controlled by the New Platform. As the New Platform is held as to approximately 33.00% by Mr. Zhu, the Raw Pork Purchasing Entities have become connected persons of the Company under the Listing Rules. The transactions contemplated under the Raw Pork 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 proposed Annual Caps of the Raw Pork Supply Framework Agreement exceed 0.1% but are less than 5%, the transactions contemplated under the Raw Pork 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:

“Annual Caps”	the annual caps of the transaction amounts for each of the three financial years ending 31 December 2024 under the Raw Pork Supply Framework Agreement, details of which are set out in the paragraph headed “Historical Transaction Amount and the Proposed Annual Caps” in this announcement
“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) 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
“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 party(ies)”	a person who is not a connected person under Chapter 14A of the Listing Rules and a third party independent of and not connected with the Company or its connected persons
“Jiangsu Yurun Meat Group”	江蘇雨潤肉類產業集團有限公司 (Jiangsu Yurun Meat Group Limited*), a company established in the PRC and as at the date of this announcement, an entity which is controlled by Mr. Zhu through the New Platform
“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 Yurun”	Nanjing Yurun Food Co., Ltd.* (南京雨潤食品有限公司), a company established under the laws of the PRC with limited liability, and as at the date of this announcement, an entity which is controlled by Mr. Zhu through the New Platform
“New Platform”	Jiangsu Yurun Delicacies Co., Ltd.* (江蘇雨潤精選食品股份有限公司), a company limited by shares established under the laws of the PRC on 31 December 2020
“Raw Pork Purchasing Entities”	Jiangsu Yurun Meat Group and Nanjing Yurun, being entities established in the PRC and owned and/or controlled by Mr. Zhu through the New Platform, which are principally engaged in meat processing, sales of meat products and retail businesses
“Raw Pork Supply Framework Agreement”	the agreement dated 18 August 2022 entered into between the Company and the Raw Pork Purchasing Entities in relation to the supply of raw pork by the Group to the Raw Pork Purchasing Entities and/or their respective subsidiaries and/or associates
“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

Hong Kong, 18 August 2022

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 RMB0.86563 to HK\$1.

** For identification purposes only*