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)

Profit Warning

This announcement is made by China Yurun Food Group Limited (the "Company", together with its subsidiaries, the "Group") pursuant to Rule 13.09 of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO").

The board of directors of the Company (the "Board") wishes to inform the shareholders and potential investors of the Company that, according to the preliminary review of the unaudited consolidated management accounts of the Group for the year ended 31 December 2018 and other information currently available, the Group expects that a provision for impairment losses on non-current assets of approximately HK$3.9 billion is required for the year 2018 and accordingly, the loss attributable to equity holders of the Company will increase significantly when compared to that for the year 2017. The loss attributable to equity holders of the Company for the year 2018 is expected to be not less than approximately HK$4.7 billion.

The above mentioned impairment losses on non-current assets are accounting losses and non-cash item, which have no effect on the cash flow of the Group's operation. Except for the factor mentioned above, the Group expects the loss arising from principal business will decrease as compared with that of last year.

The auditors of the Group issued disclaimers of opinion on the financial statements of the Company for four consecutive years. The Board has been dedicated to resolving the disagreements with the auditor on the impairment assessment of non-current assets and the going concern basis of accounting. In the course of impairment assessment of non-current assets of the Group for the year of 2018 conducted in accordance with the requirements of "International Accounting Standard 36 - Impairment of Assets", the management has adopted more prudent and conservative assumptions for the 5-year cash flow projection as compared with those adopted in previous years in order to reach a consensus with the auditor on the impairment assessment of non-current assets for the year of 2018. After taking into consideration the preliminary recommendations from the professional valuer, the management expects to provide for impairment losses on non-current assets of approximately HK$3.9 billion for the year 2018 to satisfy the auditor's requirements on impairments of non-current assets under the "International Accounting Standard 36 – Impairment of Assets".

Since the auditor of the Company is still in the progress of auditing the consolidated financial statements of the Group for the year ended 31 December 2018, the figures contained in this announcement are only based on the preliminary review by the management of the Company and not based on any data or figures that has been audited or reviewed by the auditor or the audit committee of the Company. Such figures are subject to finalization. If the final figures differ significantly from the estimation set forth in this announcement, the Company will provide updates in due course. Shareholders and potential investors are advised to read carefully the results announcement of the Company for the year 2018, which is expected to be published by the end of March 2019.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

By Order of the Board
Yu Zhangli
Chairman

Hong Kong, 15 March 2019

As at the date of this announcement, the executive directors of the Company are Yu Zhangli, Li Shibao, Yang Linwei and Yao Guozhong; the independent non-executive directors are Gao Hui, Chen Jianguo and Miao Yelian.

* *For identification purposes only*