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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)

**INSIDE INFORMATION
UPDATE ON CONSOLIDATED RESTRUCTURING**

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 in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Introduction

Reference is made to the announcement of the Company dated May 25, 2021 (the “**Announcement**”). Unless otherwise defined herein, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcement. As disclosed in the Announcement, the Administrator commenced the taking over of the Relevant Subsidiaries in accordance with the applicable laws on May 25, 2021 (the “**Takeover**”).

Impact on the control and management rights subsequent to the Takeover

Subsequent to the Takeover, the Administrator will be entitled to the legal and actual control over the internal and external affairs of the Relevant Subsidiaries. As a result, the Company will lose the legal and actual management rights over the Relevant Subsidiaries temporarily. The Company’s capability of regaining the management rights over the Relevant Subsidiaries subsequently is dependent on the integrated effect of the restructuring plan and restructuring arrangement.

Although the Administrator has exercised its power over the Relevant Subsidiaries in accordance with the Enterprise Bankruptcy Law, the Administrator intends to appoint the original management personnel of the Relevant Subsidiaries to maintain their operations in accordance with their respective articles so as to avoid sudden interruption of the daily operations or other material adverse effects on the operations of the Relevant Subsidiaries.

There are in total 68 subsidiaries (direct or indirect) of the Relevant Subsidiaries, all of which are not taken over by the Administrator (the “**Non-Taken-over Subsidiaries**”). The daily operation and management of the Non-Taken-over Subsidiaries are not directly subject to the

Enterprise Bankruptcy Law and the Non-Taken-over Subsidiaries may continue its business operation in accordance with their respective articles and management systems. If any approval of the Relevant Subsidiaries is required for certain matters of the Non-Taken-over Subsidiaries according to the articles and management systems thereof and such matter is subject to the decision of the Administrator, the Administrator shall be asked to review and consider the lawfulness and appropriateness of such matter.

In addition, there are in total 39 subsidiaries of the Company that are not subject to the Consolidated Restructuring (the “**Non-restructuring Subsidiaries**”). Since the Non-restructuring Subsidiaries are not within the scope of the Consolidated Restructuring, the operation and management of the Non-restructuring Subsidiaries shall be conducted as usual without restrictions.

Impact on the financials of the Group upon the Takeover

The Company is in discussion with its accountants, confirming if the financial results of the Relevant Subsidiaries can continue to be consolidated into the Group’s financial results and the applicable accounting treatment after the Takeover. The Company will update its Shareholders in accordance with the requirements of the Listing Rules by way of publishing further announcement(s).

The business and financial positions of the Relevant Subsidiaries and Non-taken-over Subsidiaries

The principal businesses of the Relevant Subsidiaries and the Non-Taken-over Subsidiaries are the majority of the Group’s upstream slaughtering business and downstream processed meat business. Based on the information available to the Directors at this stage, the Company preliminarily estimates that (i) the revenue as in the management accounts of the Relevant Subsidiaries and the Non-Taken-over Subsidiaries on a combined basis (after deducting significant inter-company sales between them) for the financial year ended December 31, 2020 accounted for approximately 90%; (ii) the net loss of the Relevant Subsidiaries and the Non-Taken-over Subsidiaries for the financial year ended December 31, 2020 accounted for approximately 90%; (iii) the total assets of the Relevant Subsidiaries and the Non-Taken-over Subsidiaries as at December 31, 2020 accounted for approximately 85%; such calculation may not have fully eliminate the current accounts receivable and current accounts payable between the subsidiaries of the Group, and there may be uncertainties in the recoverability of contingent liabilities and assets that may arise during the restructuring process. As the relevant financial information are all unaudited management figures, it may not have been adjusted in accordance with necessary accounting adjustments and assumptions and are based on the information currently available to the board of directors (the “**Board**”) at this stage, which are subject to uncertainties. The Company is still in the course of verifying the financial information of the Relevant Subsidiaries and the Non-Taken-over Subsidiaries with its accountants.

The business and financial position of the Non-restructuring Subsidiaries

The principal business of the Non-restructuring Subsidiaries are upstream slaughtering business and downstream processed meat business. Based on the information currently available to the Board and the Company preliminarily estimates that for the year ended December 31, 2020, the Non-restructuring Subsidiaries’ aggregated revenue as in the management accounts thereof (after deducting significant inter-company sales between them) was no less than approximately HK\$1.5 billion. As the relevant financial information are all

unaudited management figures, it may not have been adjusted in accordance with necessary accounting adjustments and assumptions and are based on the information currently available to the Board at this stage, which are subject to uncertainties. The Company is still in the course of verifying the financial information of the Non-restructuring Subsidiaries with its accountants.

Update on the progress of the Consolidated Restructuring of the Relevant Subsidiaries

The Administrator will commence work on the restructuring of the Relevant Subsidiaries under the supervision of the Court in accordance with the Enterprise Bankruptcy Law. The Company is closely liaising with the Administrator and the Court to obtain more information as to the latest development on the Consolidated Restructuring of the Relevant Subsidiaries. As of the date of this announcement, no restructuring plan in relation to the Relevant Subsidiaries is formulated and its impact on the Group's financial position and business operations is to be determined. The Relevant Subsidiaries will actively cooperate and communicate with the Administrator and creditors so as to pursue the matters in connection with the Consolidated Restructuring.

Further announcement(s) will be made by the Company as and when required under the Listing Rules in due course to update the Shareholders and potential investors on the progress of the Consolidated Restructuring, and its impact on the Group's financial position and business operations.

Words such as “will”, “intend”, “continue” or similar expressions herein are forward-looking statements. These forward-looking statements are not guarantees. Rather, they are based on current views and assumptions, and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of the Group and are difficult to predict, that will or may cause actual results to differ materially from any future results or developments expressed or implied from the forward-looking statements. Shareholders of the Company and potential investors are advised to exercise caution when dealing in the securities of the Company.

By Order of the Board
Zhu Yuan
Chairman

Hong Kong, May 27, 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 identification purposes only*