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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)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024**

SUMMARY OF RESULTS

The board of directors (the “Board” or the “Directors”) of China Yurun Food Group Limited (“Yurun Food” or the “Company”) announces the consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2024 (the “Review Year”) together with the comparative figures of the corresponding period in 2023 as follows:

* For identification purposes only

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME**

For the year ended 31 December 2024

	<i>Notes</i>	2024 HK\$'000	2023 <i>HK\$'000</i>
Revenue	4	992,369	1,410,943
Cost of sales		<u>(877,027)</u>	<u>(1,297,953)</u>
Gross profit		115,342	112,990
Other net income/(losses)	5	95,759	(105,354)
Distribution expenses		(37,330)	(45,038)
Administrative and other operating expenses		<u>(157,901)</u>	<u>(132,184)</u>
Results from operating activities		<u>15,870</u>	<u>(169,586)</u>
Finance income		211	97
Finance costs		<u>(52,530)</u>	<u>(38,384)</u>
Net finance costs		<u>(52,319)</u>	<u>(38,287)</u>
Loss before income tax	6	(36,449)	(207,873)
Income tax credit	7	<u>45</u>	<u>6,580</u>
Loss for the year		<u>(36,404)</u>	<u>(201,293)</u>
Attributable to:			
Equity holders of the Company		(38,573)	(147,641)
Non-controlling interests		<u>2,169</u>	<u>(53,652)</u>
Loss for the year		<u>(36,404)</u>	<u>(201,293)</u>
Loss per share			
Basic and diluted	9	<u>HK\$(0.021)</u>	<u>HK\$(0.081)</u>

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME**

For the year ended 31 December 2024

	<i>Notes</i>	2024 HK\$'000	2023 <i>HK\$'000</i>
Loss for the year		(36,404)	(201,293)
Other comprehensive income for the year (after tax and reclassification adjustments)	<i>10</i>		
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Foreign currency translation differences for foreign operations		21,913	6,507
Foreign currency translation differences reclassified to profit or loss upon disposal of a subsidiary		(4,111)	—
		17,802	6,507
Total comprehensive income for the year		(18,602)	(194,786)
Attributable to:			
Equity holders of the Company		(9,872)	(151,618)
Non-controlling interests		(8,730)	(43,168)
Total comprehensive income for the year		(18,602)	(194,786)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2024

		2024	2023
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		198,540	326,449
Lease prepayments		35,401	45,618
Intangible assets		3,056	—
Non-current prepayments and other receivables		1,723	1,758
		238,720	373,825
Current assets			
Inventories		78,439	146,006
Trade and other receivables	<i>11</i>	286,749	452,756
Income tax recoverable		62	66
Cash and cash equivalents		40,983	39,298
		406,233	638,126
Current liabilities			
Bank borrowings	<i>13</i>	369,922	446,196
Lease liabilities		616	869
Trade and other payables	<i>12</i>	908,023	1,170,268
Income tax payable		33	34
		1,278,594	1,617,367
Net current liabilities		(872,361)	(979,241)
Total assets less current liabilities		(633,641)	(605,416)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2024

		2024	2023
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current liabilities			
Bank borrowings	13	73,689	22,029
Lease liabilities		266	61,934
		<u>73,955</u>	<u>83,963</u>
NET LIABILITIES		<u>(707,596)</u>	<u>(689,379)</u>
EQUITY			
Share capital		182,276	182,276
Reserves		(887,117)	(877,245)
Total equity attributable to equity holders of the Company		(704,841)	(694,969)
Non-controlling interests		(2,755)	5,590
TOTAL EQUITY		<u>(707,596)</u>	<u>(689,379)</u>

Notes:

1. REVIEW OF ANNUAL RESULTS

The annual results have been reviewed by the audit committee of the Company.

The financial figures in respect of the Group's consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 December 2024 as set out in this preliminary announcement have been agreed by the Company's auditor, BDO Limited ("BDO"), Certified Public Accountants, to the amounts as set out in the consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by BDO in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the auditor. The auditor disclaimed an opinion and an extract of its report is reproduced on pages 16 to 17 of this announcement.

2. BASIS OF PREPARATION

Going concern basis

The Group incurred a net loss of HK\$36,404,000 for the year ended 31 December 2024 and as at 31 December 2024, the Group had net current liabilities of HK\$872,361,000 and current and non-current bank borrowings amounting to HK\$369,922,000 and HK\$73,689,000 respectively, while its cash and cash equivalents amounted to HK\$40,983,000 only.

Certain current bank borrowings originated in prior financial periods amounted to HK\$343,553,000 together with the accrued interest of HK\$250,721,000 (included in trade and other payables (note 12)) were overdue as at 31 December 2024. In addition, as disclosed in notes 13(i) and 13(ii), the Group could not fulfil certain bank covenants relating to the abovementioned current bank borrowings of HK\$343,553,000 and the bank has commenced litigation against the Group to settle the outstanding balances.

For the purpose of assessing going concern, management have prepared a cash flow forecast covering a period of twelve months from the end of the reporting period with the following plans and measures to mitigate the liquidity pressure and to improve its financial position taken into account:

- (i) During the year ended 31 December 2024, an indirect wholly owned subsidiary of the Company successfully reached a debt relief agreement for certain bank borrowings with principal of HK\$83,109,000 and accrued interests of HK\$55,363,000, where part of the accrued interests has been waived and the repayment period has been extended by 5 years to 2029. Regarding the remaining defaulted bank borrowings with principal amount of HK\$343,553,000, the Directors will continue to negotiate with the relevant bank for the renewal of terms of the banking facilities, the waiver of the repayable on demand clause and breach of the undertaking and restrictive covenant requirements;

- (ii) The potential outcome on conclusive settlement of the bank borrowings as part of the consolidated restructuring as disclosed in note 13(i); and
- (iii) Actively negotiating with banks to obtain additional new financing and other source of funding as and when required.

Based on the above, the Directors considered the Group would have sufficient financial resources to finance its operations and to meet its financial obligations as and when they fall due within the next twelve months from the end of the reporting period. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

However, the validity of the going concern assumption depends upon the successful outcome of the Group's plans and measures, including (i) the successful negotiation with the relevant bank for the renewal of terms of the banking facilities, the waiver of the repayable on demand clause and breach of the undertaking and restrictive covenant requirements of the remaining defaulted bank borrowings with principal amount of HK\$343,553,000; (ii) the successful outcome on conclusive settlement of the bank borrowings as part of the consolidated restructuring as disclosed in note 13(i); and (iii) the successful negotiation with banks to obtain additional new financing and other source of funding as and when required. These indicate the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern, and therefore that the Group may not be able to realise its assets and discharges its liabilities in the normal course of business.

Should the Group fail to achieve the intended effects resulting from the plans and measures as mentioned above, it might not be able to operate as a going concern, and adjustments would have to be made to write down the carrying amounts of the Group's assets to their net realisable amounts, to provide for any further liabilities that may arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these adjustments have not been reflected in the consolidated financial statements.

3. CHANGES IN ACCOUNTING POLICIES

In the current year, the Group has applied the following new and amendments to IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards") for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2024 for the preparation of the consolidated financial statements:

Amendments to IFRS 16	Lease Liability in a Sale and Leaseback
Amendments to IAS 1	Classification of Liabilities as Current or Non-current
Amendments to IAS 1	Non-current Liabilities with Covenants
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements

None of the new or amended IFRS Accounting Standards have a material effect on the reported results or financial position of the Group for both current and prior reporting periods. The Group has not early applied any new or amended IFRS Accounting Standards that are not yet effective for the current accounting period.

4. REVENUE AND SEGMENT INFORMATION

Revenue represents the sales value of goods sold to customers, excludes value-added tax or other sales taxes and is after allowance for goods returned and deduction of any trade discounts and volume rebates.

The Group manages its businesses by divisions, which are organised by different product lines. In a manner consistent with the way in which information is reported internally to the Group's Chief Executive Officer, being the chief operating decision maker ("CODM"), the Group has identified the following two reportable segments. No other operating segments have been aggregated to form the following reportable segments.

Chilled and frozen meat:	The chilled and frozen meat segment carries on the business of slaughtering, production and sales of chilled and frozen meat.
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Processed meat products:	The processed meat products segment manufactures and distributes processed meat products.
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The Group's CODM reviews the results of the two operating segments regularly. The decisions made regarding resource allocation and performance assessment are mainly based on the segment results.

(a) Segment results

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2024 and 2023 is set out below:

	Chilled and frozen meat		Processed meat products		Total	
	2024	2023	2024	2023	2024	2023
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
External revenue	552,598	966,400	439,771	444,543	992,369	1,410,943
Inter-segment revenue	–	13,845	–	–	–	13,845
Reportable segment revenue	<u>552,598</u>	<u>980,245</u>	<u>439,771</u>	<u>444,543</u>	<u>992,369</u>	<u>1,424,788</u>
Depreciation and amortisation	(22,116)	(22,825)	(8,839)	(11,210)	(30,955)	(34,035)
Gain on disposal of property, plant and equipment and lease prepayments	21,305	25,228	491	327	21,796	25,555
Written-off right-of-use assets	–	(43,094)	–	–	–	(43,094)
Written-off property, plant and equipment	–	–	(22,316)	–	(22,316)	–
Written-off value-added tax recoverable	(35,227)	(99,107)	(219)	–	(35,446)	(99,107)
Impairment losses on property, plant and equipment	(42,119)	(56,495)	–	–	(42,119)	(56,495)
Gain on disposal of a subsidiary	17,710	–	–	–	17,710	–
Reversal of impairment losses/(impairment losses) on trade and other receivables, net	1,081	(241)	(56,960)	(1,367)	(55,879)	(1,608)
Government subsidies	1,234	789	206	2,983	1,440	3,772
Reportable segment profit/(loss) before income tax	<u>20,361</u>	<u>(225,344)</u>	<u>7,396</u>	<u>64,170</u>	<u>27,757</u>	<u>(161,174)</u>

(b) **Reconciliations of reportable segment revenue and profit/(loss)**

	2024 HK\$'000	2023 HK\$'000
Revenue		
Total revenue of reportable segments	992,369	1,424,788
Elimination of inter-segment revenue	—	(13,845)
Consolidated revenue	<u>992,369</u>	<u>1,410,943</u>
Profit/(loss)		
Total reportable segment profit/(loss) before income tax	27,757	(161,174)
Elimination of inter-segment loss	—	4,732
	27,757	(156,442)
Net finance costs	(52,319)	(38,287)
Income tax credit	45	6,580
Unallocated head office and corporate expenses	<u>(11,887)</u>	<u>(13,144)</u>
Consolidated loss for the year	<u>(36,404)</u>	<u>(201,293)</u>

(c) **Geographical information**

The Group's revenue and profit/(loss) are derived entirely from the manufacturing and sales of chilled and frozen meat and processed meat products in the People's Republic of China (the "PRC"). Almost all of the Group's non-current assets are located in the PRC.

(d) **Information about major customers**

During the years ended 31 December 2024 and 2023, there was no single external customer that contributed 10% or more of the Group's total revenue from external customers.

5. OTHER NET INCOME/(LOSSES)

	2024 HK\$'000	2023 HK\$'000
Government subsidies	1,440	3,772
Gain on disposal of a subsidiary	17,710	–
Written-off value-added tax recoverable (<i>note i</i>)	(35,446)	(99,107)
Written-off right-of-use assets	–	(43,094)
Gain on disposal of property, plant and equipment and lease prepayments	21,796	25,555
Written-off property, plant and equipment (<i>note ii</i>)	(22,316)	–
Written-off lease liabilities (<i>note ii</i>)	60,651	–
Gain on extinguishment of debt (<i>note 13 (iii)</i>)	56,152	–
Rental income	331	316
Sales of scrap	774	346
Sundry (expenses)/income, net	(5,333)	6,858
	95,759	(105,354)

Note:

- (i) The written-off value-added tax recoverable was mainly derived from certain subsidiaries which have suspended or terminated their operations and the management of the Company expects these production bases may not be able to operate in certain period of time in future. These non-operating subsidiaries are entitled to the value-added tax recoverable but the utilisation of such value-added tax recoverable is remote.
- (ii) Upon the maturity of certain lease agreements at the end of the reporting period, the operations associated with these leases were terminated accordingly. The management of the Company has opted not to exercise the option to purchase the underlying leasehold land and buildings as stipulated in the lease agreements. As a result, the remaining lease liabilities and corresponding property, plant and equipment of HK\$60,651,000 and HK\$22,316,000 respectively have been fully written-off for the year ended 31 December 2024.

6. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging/(crediting):

	2024 HK\$'000	2023 HK\$'000
Cost of inventories	877,027	1,297,953
Write-down/(reversal of write-down) of inventories	1,019	(1,350)
Impairment losses on trade and other receivables, net	55,879	1,608
Impairment losses on property, plant and equipment	42,119	56,495
Depreciation		
– Owned property, plant and equipment	27,693	26,967
– Right-of-use-assets including:		
– Properties	2,265	5,241
– Lease prepayments	997	1,210
Amortisation of intangible assets	–	617
Interest on bank borrowings	50,351	35,918
Interest income from bank deposits	(211)	(97)

7. INCOME TAX CREDIT

Income tax credit in the consolidated statement of profit or loss and other comprehensive income represents:

	2024 HK\$'000	2023 HK\$'000
Current income tax expense	–	46
Over-provision in respect of prior years	<u>(45)</u>	<u>(6,626)</u>
Income tax credit in the consolidated statement of profit or loss and other comprehensive income	<u><u>(45)</u></u>	<u><u>(6,580)</u></u>

- (a) Pursuant to the rules and regulations of Bermuda and the British Virgin Islands (the “BVI”), the Group is not subject to any income tax in Bermuda and the BVI.
- (b) No provision for Hong Kong Profits Tax has been made as the Group did not have assessable profits subject to Hong Kong Profits Tax during the years ended 31 December 2024 and 2023.
- (c) Pursuant to the income tax rules and regulations of the PRC, the companies comprising the Group in the PRC are liable to PRC corporate income tax at a rate of 25% during the years ended 31 December 2024 and 2023, except for the enterprises engaged in the primary processing of agricultural products which are exempted from PRC corporate income tax. As a result, the profits from slaughtering operations are exempted from PRC corporate income tax for the years ended 31 December 2024 and 2023.
- (d) Under the PRC tax law, dividends received by foreign investors from their investment in foreign-invested enterprises in respect of their profits earned since 1 January 2008 are subject to withholding tax at a rate of 10% unless reduced by treaty. Pursuant to a tax arrangement between the PRC and Hong Kong, the investment holding companies established in Hong Kong are subject to a reduced withholding tax rate of 5% on dividends they receive from their PRC subsidiaries. Accordingly, deferred tax would be recognised for undistributed retained earnings of the PRC subsidiaries to the extent that the earnings would be distributed in the foreseeable future.
- (e) Under the PRC tax law, enterprises established outside the PRC with their de facto management bodies located within the PRC may be considered as a PRC resident enterprise and subject to PRC corporate income tax on their global income at the rate of 25%. The Group may be deemed to be a PRC resident enterprise and subject to PRC corporate income tax rate at 25% on its global income. In certain circumstances, dividends received by a PRC resident enterprise from another PRC resident enterprise would be tax exempted, but there is no guarantee that the Group will qualify for this exemption.

8. DIVIDENDS

The Board does not recommend the payment of a dividend for the year ended 31 December 2024 (2023: HK\$Nil).

9. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share for the year ended 31 December 2024 is based on the loss attributable to equity holders of the Company for the year of HK\$38,573,000 (2023: HK\$147,641,000) and the weighted average number of 1,822,756,000 (2023: 1,822,756,000) shares in issue during the year.

(b) Diluted loss per share

The Company did not have any potential ordinary shares outstanding to be issued during the year ended 31 December 2024 (2023: the potential ordinary shares outstanding were anti-dilutive). Diluted loss per share is equal to basic loss per share.

10. OTHER COMPREHENSIVE INCOME

The components of other comprehensive income do not have any significant tax effect for the years ended 31 December 2024 and 2023.

11. TRADE AND OTHER RECEIVABLES

	2024 HK\$'000	2023 HK\$'000
Trade receivables	93,010	121,254
Less: Expected credit losses	(7,997)	(12,571)
Trade receivables, net	85,013	108,683
Value-added tax recoverable	61,468	100,282
Deposits and prepayments	69,603	72,447
Other receivables	70,665	171,344
	286,749	452,756

All of the trade and other receivables are expected to be recovered within one year.

An ageing analysis of trade receivables (net of impairment losses) of the Group based on invoice date is analysed as follows:

	2024	2023
	HK\$'000	HK\$'000
Within 30 days	82,346	102,991
31 days to 90 days	2,025	26
91 days to 180 days	642	5,602
Over 180 days	—	64
	85,013	108,683

The Group normally allows a credit period ranging from 30 days to 90 days to its customers. Special approval from senior management is required for extension of credit terms.

12. TRADE AND OTHER PAYABLES

	2024	2023
	HK\$'000	HK\$'000
Trade payables	113,855	171,617
Deposits from customers	20,322	20,038
Contract liabilities	19,465	28,906
Salary and welfare payables	10,414	12,024
Value-added tax payable	64,229	66,331
Payables for acquisitions of property, plant and equipment	27,229	30,081
Provision for losses on litigations	63,299	64,682
Interest payables	250,721	263,326
Other payables and accruals	338,489	513,263
	908,023	1,170,268

An ageing analysis of trade payables of the Group based on invoice date is analysed as follows:

	2024	2023
	HK\$'000	HK\$'000
Within 30 days	37,594	64,900
31 days to 90 days	8,311	57,651
91 days to 180 days	37,981	7,197
Over 180 days	29,969	41,869
	113,855	171,617

13. BANK BORROWINGS

- (i) As at 31 December 2024, the Group could not fulfil certain covenants imposed by the bank on certain bank borrowings of HK\$343,553,000 (2023: HK\$437,069,000). All of these bank borrowings and the accrued interest of HK\$250,721,000 (2023: HK\$263,326,000) were overdue.

The above bank borrowings were secured by corporate guarantees provided by certain restructuring companies and have been incorporated as part of the consolidated restructuring. As disclosed in the Company's announcement dated 30 January 2022, the restructuring plan was approved and adjudicated effective by the Court in the PRC (the "Court") on 28 January 2022, together with the Court's ruling that the banks can realise their rights as creditors to convert the debts owed to them to equity interests in the new platform. If the rights have been confirmed by the Court, but the banks do not realise their rights as creditors to receive the debts repayments and/or to convert the debts owed to them to equity interests in the new platform pursuant to the restructuring plan, the Administrator shall deposit the debts repayments allocated to those creditors to the Administrator's bank account or its designated bank account, or shall hold such equity interests allocated to those creditors in the new platform on their behalf by a designated company. Within three years commencing from the date of completion of the restructuring plan, the creditors may still receive the debts repayments and/or the equity interests in the new platform allocated to them upon realising their rights. If the creditors fail to realise their rights as creditors to receive the debts repayments and/or convert the debts owed to them to equity interests in the new platform within the prescribed time frame due to their own inaction, their rights under the restructuring plan are deemed to have been forgone. If the banks do not realise their rights as creditors by converting the debts owed to them to equity interests in the new platform, the bank borrowings would not be extinguished automatically and the relevant legal proceedings would not be discharged automatically. The banks may continue to seek recourse against the borrower, i.e. a subsidiary of the Group in accordance with the respective loan agreements.

- (ii) At 31 December 2024, there were outstanding litigations commenced by the bank in the PRC against a subsidiary of the Group requesting such subsidiary to repay the outstanding bank borrowings of HK\$343,553,000 (2023: HK\$437,069,000) (as mentioned in note 13(i)) or to secure the repayment with assets of equivalent amounts immediately.

Among these, the court in the PRC handed down the judgements in related to certain outstanding bank borrowings during the year ended 31 December 2023. As at 31 December 2024, the subsidiary shall repay the outstanding bank borrowings together with accrued interest of HK\$416,664,000 (2023: HK\$506,208,000) in total. These bank borrowings were secured by corporate guarantees provided by certain restructuring companies and fall into the restructuring plan as mentioned in note 13(i), the Group will continue to negotiate with the bank on these bank borrowings.

- (iii) In December 2024, the Group had undergone a mediation with a bank for an agreed settlement plan on bank borrowing with principal of HK\$83,109,000 and accrued interests of HK\$55,363,000. The agreed settlement plan contains modifications to the contractual terms of the bank borrowings which are considered substantial and resulted in the recognition of gain on extinguishment of debt of HK\$56,152,000 (note 5) during the year ended 31 December 2024.

14. CONTINGENT LIABILITIES

As at the end of the reporting period, expect for the litigations commenced by the bank against a subsidiary of the Group as disclosed in note 13(ii), the Group was not involved in any other material litigation or arbitration. As far as the management of the Group was aware, the Group had no other material litigation or claim which was pending or threatened against the Group. As at 31 December 2024, the Group was the defendant of certain non-material litigations, and also a party to certain litigations arising from the ordinary course of business of the Group. The likely outcome of these contingent liabilities, litigations or other legal proceedings cannot be ascertained with reasonable certainty at present, but the management of the Group believes that any possible legal liability which may be incurred from the aforesaid cases will not have any material impact on the financial position or results of the Group.

EXTRACT OF INDEPENDENT AUDITOR’S REPORT

The following is an extract from the report issued by BDO Limited, the Company’s auditor, on the consolidated financial statements of the Group for the year ended 31 December 2024:

“We do not express an opinion on the consolidated financial statements of the Group due to the potential interaction of the multiple uncertainties relating to going concern and their possible cumulative effects on the consolidated financial statements as described in the “Basis for Disclaimer of Opinion” section of our report. In all other aspects, in our opinion, the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR DISCLAIMER OF OPINION

Multiple uncertainties relating to going concern

As described in note 3(b) to the consolidated financial statements, the Group incurred a net loss of \$36,404,000 for the year ended 31 December 2024 and as at 31 December 2024, the Group had net current liabilities of \$872,361,000 and current and non-current bank borrowings amounting to \$369,922,000 and \$73,689,000 respectively, while its cash and cash equivalents amounted to \$40,983,000 only.

Certain current bank borrowings originated in prior financial periods amounted to \$343,553,000 together with the accrued interest of \$250,721,000 (included in trade and other payables (note 27)) were overdue as at 31 December 2024. In addition, as disclosed in notes 3(b), 25(i) and 25(iii) to the consolidated financial statements, the Group could not fulfil certain bank covenants relating to the abovementioned current bank borrowings of \$343,553,000 and the bank has commenced litigations against the Group to settle the outstanding balances.

The directors of the Company have been implementing a number of measures to improve the Group’s liquidity and financial position, which are set out in note 3(b) to the consolidated financial statements.

The consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the successful outcome of the Group's plans and measures to mitigate its liquidity pressure and to improve its financial performance as set out in note 3(b) to the consolidated financial statements, including (i) the successful negotiation with the relevant bank for the renewal of terms of the banking facilities, the waiver of the repayable on demand clause and breach of the undertaking and restrictive covenant requirements of the remaining defaulted bank borrowings with principal amount of \$343,553,000; (ii) the successful outcome on conclusive settlement of the bank borrowings as part of the consolidated restructuring as disclosed in note 25(i) to the consolidated financial statements; and (iii) the successful negotiation with banks to obtain additional new financing and other source of funding as and when required. These indicate the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern, and therefore that the Group may not be able to realise its assets and discharge its liabilities in the normal course of business.

Should the Group fail to achieve the intended effects resulting from the plans and measures as mentioned in note 3(b) to the consolidated financial statements, it might not be able to operate as a going concern, and adjustments would have to be made to write down the carrying amounts of the Group's assets to their net realisable amounts, to provide for any further liabilities that may arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these adjustments have not been reflected in the consolidated financial statements.

We disclaimed our opinion on the consolidated financial statements for the year ended 31 December 2023 ("2023 consolidated financial statements") relating to the going concern basis of preparing the consolidated financial statements. Any adjustments to the balances as at 31 December 2023 would affect the balances of these financial statements items as at 1 January 2024 and the corresponding movements, if any, during the year ended 31 December 2024. The balances as at 31 December 2023 and the amounts for the year then ended are presented as corresponding figures in the consolidated financial statements for the year ended 31 December 2024. We disclaimed our audit opinion on the consolidated financial statements for the year ended 31 December 2024 also for the possible effect of the disclaimer of audit opinion on 2023 consolidated financial statements on the comparability of 2024 figures and 2023 figures in these consolidated financial statements."

ANNUAL GENERAL MEETING

It is proposed that the forthcoming annual general meeting of the Company (the "Annual General Meeting") be held on Friday, 13 June 2025. The notice of the Annual General Meeting will be published and despatched to the shareholders of the Company in due course.

FINAL DIVIDEND

The Board does not recommend the payment of final dividend for the year ended 31 December 2024.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 10 June 2025 to Friday, 13 June 2025, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the Annual General Meeting, unregistered holders of shares of the Company should ensure that all share transfer documents accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited, at 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Monday, 9 June 2025.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

In 2024, the global economy remains in a phase of cyclical adjustment, with protectionist trend intensifying and geopolitical risks persisting. Domestically, market demand is sluggish and the economic restructuring process faces short-term pressures, causing challenges for certain industries and enterprises in production and operations. Despite these challenges, the economy of China remained relatively stable, demonstrating a steady and progressive trajectory and achieving its annual economic growth target successfully. According to the preliminary calculations by the National Bureau of Statistics, the annual gross domestic product (GDP) reached Renminbi (“RMB”)135 trillion, representing a year-on-year increase of 5.0% calculated at constant prices. However, residents’ consumption capacity and willingness to spend still have room for improvement, as the sales of certain goods and services remain relatively weak. The total retail sales of consumer goods for the year amounted to RMB49 trillion, a year-on-year increase of 3.5%, while the annual consumer price index (CPI) rose by 0.2% year-on-year.

In 2024, China's hog production capacity was reasonably adjusted due to capacity optimisation, which yielded effective results. Throughout the year, a total of 702.56 million hogs were slaughtered nationwide, representing a year-on-year decrease of 3.3%. Pork production reached 57.06 million tons, decreased by 1.5% compared to last year. By the end of 2024, the national hog inventory stood at 427.43 million heads, reflecting a 1.6% year-on-year decline. As the world's largest consumer of pork, China maintains a vast and relatively stable demand. Although per capita pork consumption has risen in recent years, its growth rate has shown a downward trend. From a medium to long term perspective, the proportion of pork in total meat consumption is gradually decreasing. Meanwhile, rising economic standards are driving consumers to shift toward higher quality and value-added pork products. Additionally, stricter environmental policies, limited farmland, frequent outbreaks of diseases such as African swine fever, fluctuations in hog prices, and advancements in food safety etc., have impacted the industry. In response to these, the Chinese government is encouraging hog farming and slaughtering enterprises to adopt a model of "large-scale farming, centralised slaughtering, cold chain transportation, and chilled processing". The market share of slaughtering and meat processing enterprises with higher levels of standardisation and regulation is expected to gradually increase.

In 2024, hog prices were influenced by capacity reductions and supply adjustments due to pandemic-related disruptions. Throughout the year, hog prices exhibited a pattern of sharp increases followed by declines. Overall hog prices were generally higher than in the previous year. According to data released by the Ministry of Agriculture and Rural Affairs, the national average hog price in 2024 was approximately RMB17.08/kg, representing a year-on-year increase of approximately 11.3%. Looking ahead to 2025, as hog production capacity enters a recovery phase, supply-side pressures are expected to persist. Meanwhile, demand is likely to follow a gradual upward trajectory, with hog prices projected to decline initially before rising later in the year.

BUSINESS REVIEW

China Yurun Food Group Limited ("Yurun Food" or the "Company") and its subsidiaries (collectively, the "Group") focused on the production and sales of its esteemed brands, Haroulia ("HRL") during the year ended 31 December 2024 ("the Review Year"). With a commitment to diversification, personalisation, and high-quality consumer demands, the Group continuously strengthened new product development and enhanced product quality to meet consumers' needs for healthy and delicious products. Faced with market challenges such as the slow pace of consumer market recovery and frequent fluctuations in hog prices, the Group actively optimised its product structure, developed high value-added products, enhanced sales channels to boost marketing capabilities, emphasised cost control and operational efficiency improvements, and vigorously advanced brand-building to foster consumer trust. These initiatives have bolstered the Group's risk resilience and market competitiveness, ensuring steady and orderly business development.

Product Quality and Research & Development

In terms of product quality, the Group has always adhered to the principle of prioritising quality, treating food safety as the core value of the enterprise. Beginning at the hog procurement stage, the Group has implemented a stringent supplier screening mechanism to ensure safety from the source. Throughout the production process, rigorous monitoring is conducted at every stage, from slaughtering and cutting to processing and packaging. Additionally, professional testing teams with advanced testing equipment are employed to perform multiple rounds of inspections on each batch of products. These measures ensure the consumers receive safe, reliable, and nationally compliant products that meet quality standards.

In terms of research and development, during the Review Year, Harbin Dazhong Roulian Food Co., Ltd., a subsidiary of the Group, collaborated with Northeast Agricultural University on the project “Key Technologies for Quality Control of Specialty Meat Products and the Creation and Industrialization of Functional Meat Products (特色肉製品品質調控關鍵技術及功能性肉製品創製與產業化)”, which was awarded the first prize in the Heilongjiang Provincial Science and Technology Progress Awards. The Group continues to strengthen technological innovation and commits to providing consumers with a broader and higher-quality selection of products. On one hand, the Group closely monitors market trends and changes in consumer demand, actively developing new products. On the other hand, it has significantly invested in research and the application of new technologies, collaborating with specialised research institutions to enhance product quality. These efforts ensure the consumers can enjoy delicious food while making healthier choices with greater peace of mind.

Sales and Distribution

During the Review Year, high value-added products such as chilled pork and low temperature meat products (“LTMP”) played an important role in driving the overall business. In 2024, revenue of chilled pork of the Group were HK\$479 million (2023: HK\$835 million), decreased by 42.6% from last year, accounting for approximately 48% (2023: 59%) of the total revenue of the Group before inter-segment eliminations and approximately 87% (2023: 85%) of the revenue of the upstream slaughtering segment. Revenue of LTMP were HK\$294 million (2023: HK\$271 million), increased by 8.5% compared to last year, accounting for approximately 30% (2023: 19%) of the revenue of the Group before inter-segment eliminations and approximately 67% (2023: 61%) of the revenue of the downstream processed meat segment.

Production Facilities and Capacity

During the Review Year, the Group disposed of its shareholding in one of the subsidiaries under the upstream slaughtering segment. As a result, the annual production capacity of the Group for upstream slaughtering segment as at 31 December 2024 decreased by 1.00 million heads to approximately 2.35 million heads, compared with the annual capacity as at 31 December 2023. Additionally, due to the expiry of certain lease agreements for the Group’s processed meat processing facilities by 31 December 2024, the operations associated with these leases were terminated accordingly. Hence, the annual production capacity for downstream processed meat segment decreased by 36,000 tons to 20,000 tons.

FINANCIAL REVIEW AND KEY PERFORMANCE INDICATORS

The Group recorded revenue of HK\$992 million (2023: HK\$1.411 billion) for the year 2024. During the Review Year, the loss attributable to equity holders was approximately HK\$39 million (2023: HK\$148 million). Basic and diluted loss per share was HK\$0.021 (2023: HK\$0.081).

The Board and the management assessed the business development, performance, and position of the Group according to the following key performance indicators.

REVENUE

Chilled and Frozen Pork

During the Review Year, in response to declining pork consumption, the Group strategically reduced production at certain facilities with lower profit margins to enhance overall efficiency. As a result, the slaughtering volume decreased by approximately 50.8% to approximately 250,000 heads, compared to the previous year. This decline affected the overall sales revenue from the upstream business before inter-segment eliminations decreased by 43.6% to HK\$552 million (2023: HK\$980 million). Among these, revenue from chilled pork was HK\$479 million (2023: HK\$835 million) and accounted for approximately 48% (2023: 59%) of the Group's total revenue before inter-segment eliminations and approximately 87% (2023: 85%) of the upstream business total revenue. The revenue of frozen pork amounted to HK\$73 million (2023: HK\$145 million), representing approximately 13% (2023: 15%) of the total revenue of the upstream business.

Processed Meat Products

During the Review Year, sales of processed meat products of the Group before inter-segment eliminations was HK\$440 million (2023: HK\$445 million), decreased slightly by approximately 1.1% compared to last year.

Among these, revenue from LTMP was HK\$294 million (2023: HK\$271 million), accounting for approximately 67% (2023: 61%) of the total revenue from processed products and serving as the primary source of income for the processed meat segment. Revenue from high temperature meat products ("HTMP") was HK\$146 million (2023: HK\$174 million), representing approximately 15% (2023: 12%) of the Group's total revenue before inter-segment eliminations and approximately 33% (2023: 39%) of the total revenue of the processed meat segment, respectively.

Gross Profit and Gross Profit Margin

During the Review Year, the Group focused on the HRL series brand business which had a higher gross profit margin. This resulted in a higher proportion of revenue from LTMP, driving the Group's overall gross profit margin up by 3.6 percentage points to 11.6% (2023: 8.0%). The Group's gross profit was HK\$115 million (2023: HK\$113 million), representing a 2.1% increase compared to last year.

For the upstream business, the gross profit margins for chilled pork and frozen pork were 1.1% and -2.6% respectively (2023: 2.0% and -3.5% respectively). The overall gross profit margin of the upstream segment was 0.6%, representing a decrease of 0.6 percentage point from 1.2% of last year.

In respect of the downstream processed meat segment, the gross profit margin for LTMP was 29.5% (2023: 29.4%), remaining largely unchanged from the previous year. The gross profit margin for HTMP slightly decreased by 0.6 percentage point from 17.9% in last year to 17.3%. The overall gross profit margin for the downstream business was 25.4%, an increase of 0.5 percentage point compared to 24.9% in last year.

Other Net Income/(Losses)

During the Review Year, the Group recorded other net income of approximately HK\$96 million (2023: other net losses of HK\$105 million). It was primarily attributable to the written-off lease liabilities, gain on extinguishment of debt, gain on disposal of property, plant and equipment and lease prepayments, as well as gain on disposal of a subsidiary, net of written-off value-added tax recoverable and written-off property, plant and equipment.

The Group had certain lease agreements matured by 31 December 2024. Given the current operational situation and cash flow, management decided not to exercise the options to purchase the underlying leasehold land and buildings, resulting in a gain of approximately HK\$61 million from the written-off of lease liabilities.

During the Review Year, the Group reached a settlement agreement with a bank regarding an overdue loan. In accordance with International Financial Reporting Standard 9, a material modification of all or part of the terms of an existing financial liability shall be treated as extinguishment of the original financial liability and recognition of the new financial liability. The difference between the carrying amount of the original financial liability and the new financial liability, amounting to approximately HK\$56 million, was recognised as a gain during the Review Year.

During the Review Year, the Group generated a gain of approximately HK\$18 million from the disposal of equity interests in a subsidiary. As a result of this, approximately HK\$35 million of value-added tax recoverable which cannot be utilised was being written-off.

Impairment Losses on Non-Current Assets

As at 31 December 2024, the Board evaluated the non-current assets of the Group in accordance with the requirements of the “International Accounting Standard 36 – Impairment of Assets” (IAS 36). With reference to the valuation assessment results of the recoverable amount of property, plant and equipment of those non-operating production bases conducted by an independent professional valuer, impairment losses of approximately HK\$42 million was recognised for the Review Year. The impairment losses of non-current assets are accounting losses and non-cash items which do not affect the cash flow of the Group’s operating activities.

Operating Expenses

Operating expenses included distribution expenses and administrative and other operating expenses. During the Review Year, operating expenses of the Group were HK\$195 million (2023: HK\$177 million), accounting for 19.7% (2023: 12.6%) of the Group’s revenue, which included a provision for impairment losses on property, plant and equipment of approximately HK\$42 million (2023: HK\$56 million) and an one-off impairment of other receivables of approximately HK\$60 million (2023: nil). Operating expenses after exclusion of two impairment losses amounted to HK\$93 million, representing a decrease of approximately 23.0% compared to last year and accounting for 9.4% of the Group’s revenue (2023: 8.6%). The reduction in operating expenses was primarily attributable to a decrease in sales volume, which led to a reduction in direct sales-related costs, coupled with a decline in both the number of employees and employee compensation during the Review Year.

Results of Operating Activities

During the Review Year, the Group’s operating profit was approximately HK\$16 million (2023: loss of approximately HK\$170 million).

Net Finance Costs

During the Review Year, the net finance costs of the Group were approximately HK\$52 million (2023: HK\$38 million), representing an increase of 36.6% compared with 2023. The rise in net finance costs during the Review Year was primarily due to the additional provision for penalty interest resulting from a judgment issued by a court in the PRC at the end of 2023.

Income Tax

During the Review Year, the income tax credit was approximately HK\$50,000 (2023: credit of approximately HK\$7 million).

Loss Attributable to the Equity Holders of the Company

Taking into account the above factors, loss attributable to the equity holders of the Company during the Review Year was approximately HK\$39 million (2023: HK\$148 million).

FINANCIAL RESOURCES

As at 31 December 2024, the Group's cash and cash equivalents was HK\$41 million, representing an increase of 4.3% as compared to HK\$39 million as at 31 December 2023. Of this, approximately 93% (31 December 2023: 94%) was denominated in RMB, and approximately 3% (31 December 2023: 2%) was denominated in US Dollars ("USD"), with the remaining amount in other currencies.

As at 31 December 2024, the Group had outstanding bank borrowings of HK\$444 million, representing a decrease of HK\$24 million from HK\$468 million as at 31 December 2023, of which HK\$370 million of bank borrowings were due within one year. During the Review Year, the Group repaid bank borrowings of approximately HK\$15 million. Please refer to the paragraph headed "Breach of Borrowings Agreements" below for the details regarding the Group's breach of borrowings agreements.

All borrowings were denominated in RMB, which was the same as the borrowings as of 31 December 2023. As at 31 December 2024, the Group's fixed-rate debt ratio was 94% (31 December 2023: 75%).

During the Review Year, The Group's net cash outflow was primarily attributable to net outflows from operating activities and the repayment of bank borrowings.

During the Review Year, the capital expenditure was approximately HK\$14 million (2023: HK\$14 million).

BREACH OF BORROWINGS AGREEMENTS

As at 31 December 2024, the Group could not fulfill certain covenants imposed by the bank on the bank borrowings of HK\$344 million (31 December 2023: HK\$437 million). All of these bank borrowings and the accrued interest of HK\$251 million (31 December 2023: HK\$263 million) were overdue.

The above bank borrowings were secured by corporate guarantees provided by certain restructuring companies. Such debts have been incorporated as part of the consolidated restructuring as mentioned in the Company's 2021 and 2022 annual financial reports. As disclosed in the Company's announcement dated 30 January 2022, the structuring plan was approved and adjudicated effective by the Court in the PRC (the "Court") on 28 January 2022, together with the Court's ruling that the banks can realise their rights as creditors to convert the debts owed to them to equity interests in the new platform. If the rights have been confirmed by the Court, but the banks do not realise their rights as creditors to receive the debts repayments and/or to convert the debts owed to them to equity interests in the new platform pursuant to the restructuring plan, the Administrator shall deposit the debts repayments allocated to those creditors to the Administrator's bank account or its designated bank account, or shall hold such equity interests allocated to those creditors in the new platform on their behalf by a designated company. Within

three years commencing from the date of completion of the restructuring plan, the creditors may still receive the debts repayments and/or the equity interests in the new platform allocated to them upon realising their rights. If the creditors fail to realise their rights as creditors to receive the debts repayments and/or convert the debts owed to them to equity interests in the new platform within the prescribed time frame due to their own inaction, their rights under the restructuring plan are deemed to have been forgone. If the banks do not realise their rights as creditors by converting the debts owed to them to equity interests in the new platform, the bank borrowings would not be extinguished automatically and the relevant legal proceedings would not be discharged automatically. The banks may continue to seek recourse against the borrower (being a subsidiary of the Group) in accordance with the respective loan agreements.

Subsequent to 31 December 2024 and up to the date of this announcement, the aforesaid bank borrowings had not been renewed.

The Group has been closely communicated with the state-owned and national commercial bank in China regarding the remaining overdue bank borrowings with principal amount of HK\$344 million to extend, renew and/or amend the term of the outstanding bank borrowings. During the course of communication, the Group was given to understand that the bank would not take any radical actions against the Group and all parties hoped that the Group can sustain normal operations. As such, the Board believes that the likelihood of immediate repayment demand is not high and the above matters do not have significant adverse impact on the operations of the Group.

ASSETS AND LIABILITIES

As at 31 December 2024, the total assets of the Group were HK\$645 million (31 December 2023: HK\$1.012 billion), representing a decrease of HK\$367 million compared to 31 December 2023. The Group's total liabilities as at 31 December 2024 were HK\$1.353 billion, a decrease of HK\$348 million from HK\$1.701 billion as at 31 December 2023.

As at 31 December 2024, the property, plant, and equipment of the Group amounted to HK\$199 million (31 December 2023: HK\$326 million), a decrease of HK\$127 million from 31 December 2023. The decrease was mainly due to the provision of impairment losses of HK\$42 million, the disposal of assets with a net book value of approximately HK\$29 million, written-off property, plant, and equipment of approximately HK\$22 million and depreciation charged during the Review Year.

As at 31 December 2024, the lease prepayments of the Group amounted to HK\$35 million (31 December 2023: HK\$46 million). This represented the purchase cost of land use rights of the Group which was amortised on a straight-line basis over the respective period of the rights. The decrease was mainly due to the disposal of assets during the Review Year.

Despite the net liabilities position as at 31 December 2024, the Group had non-current assets of approximately HK\$239 million to support its daily production and operations. This net liabilities position has not materially impaired the Group's ability to continue its daily business operation. With improvements in the domestic economic environment and the management's proactive efforts to enhance operational profitability and reduce borrowing pressure, the Group is expected to achieve long-term growth. The Directors are confident that they will restore the Group to a net assets position from its current net liabilities position.

As at 31 December 2024, the net current liabilities of the Group were HK\$872 million (31 December 2023: HK\$979 million), reflecting an improvement of approximately HK\$107 million compared to 31 December 2023, driven by the management's efforts. Its current bank borrowings amounted to HK\$370 million (31 December 2023: HK\$446 million), while the cash and cash equivalents amounted to approximately HK\$41 million (31 December 2023: HK\$39 million).

As mentioned above, although the Group failed to fulfil certain contractual terms of an outstanding bank borrowings with principal amount of HK\$344 million and the relevant bank has commenced litigation against the Group accordingly, the Group has been actively communicating with the relevant bank to discuss the renewal and waiver of the repayable on demand clause, and breach of the undertaking and restrictive covenant requirements. Meanwhile, the Group also endeavored to persuade this relevant bank to realise their rights as creditors within the relevant time frame under the consolidated restructuring plan. Based on the current progress of these negotiations, we consider the negotiations have been relatively positive. Given these, the Directors believe that the Group has sufficient financial resources to finance operations and to meet financial obligations as and when they fall due within the next twelve months from the end of the Review Year.

As the equity attributable to equity holders of the Company was a deficit of approximately HK\$705 million, it is not appropriate to calculate the gearing level as at 31 December 2024.

CHARGES ON ASSETS

As at 31 December 2024, certain trade receivables of the Group with a carrying amount of approximately HK\$17 million (31 December 2023: HK\$13 million) were pledged against a bank borrowing with a total amount of approximately HK\$27 million (31 December 2023: HK\$31 million).

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES, AND FUTURE PLANS FOR MATERIAL INVESTMENT IN OR ACQUISITION OF CAPITAL ASSETS

Having considered the current operation and cash flow of the Group, the Board is more cautious on capital expenditure in 2025. It is currently expected that the preliminary approval of the plan to be approximately RMB15 million. The amount will be used mainly for the construction in progress already commenced, regular maintenance of factories, upgrading and technical transformation of equipment. As at the date of this announcement, the relevant budgets and plans have not yet been finalised, and the Group has not identified any specified goals or plans at this stage.

The Group did not hold any other significant investment nor had any substantial acquisition and disposal of subsidiaries or associated companies during the Review Year. As at the date of this announcement, the Group has no plan to make any significant investment in or acquisition of capital assets.

CONTINGENT LIABILITIES

As at 31 December 2024, there were outstanding litigations initiated by a bank in the PRC against a subsidiary of the Group demanding that subsidiary to repay the outstanding bank borrowings of approximately HK\$344 million (31 December 2023: HK\$437 million) immediately. The Group is negotiating with the bank to resolve such litigations. Save as disclosed above, the Group did not involve in any other material litigation or arbitration and did not have other material contingent liabilities.

In respect of the progress of the above, the Company will make further announcements in due course in accordance with the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) as and when required.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

Other than purchases of certain equipment and materials and payment of certain professional fees in USD, Euros or Hong Kong dollars, the Group’s transactions are mainly settled in RMB. RMB is the functional currency of the operating subsidiaries of the Group in the PRC, and is not freely convertible into foreign currencies. The Group will monitor its exposure by considering factors including, but not limited to, exchange rate movement of the relevant foreign exchange currencies as well as the Group’s cash flow requirements to ensure that its foreign exchange exposure is kept at an acceptable level.

HUMAN RESOURCES

As at 31 December 2024, the Group had a total of approximately 1,000 (31 December 2023: approximately 1,000) employees in the PRC and Hong Kong. During the Review Year, total staff cost was HK\$66 million, accounting for 6.6% of the revenue of the Group (2023: HK\$99 million, accounting for 7.0% of revenue).

The Group firmly believes that the professional qualities, skill enhancement, and personal development of employees are key factors driving corporate progress. Therefore, the Group is committed to establishing an attractive compensation and benefits system to support employees' long-term development. In addition to offering competitive remuneration, the Group strictly implements retirement contributions schemes and various social security programs to fully safeguard employees' future interests. Moreover, the Group has introduced performance-based incentives, including annual bonuses and a share option scheme, to enhance employees' sense of belonging and motivate their active participation in the Company's development. At the same time, the Group places great emphasis on continuous learning and professional growth, providing comprehensive training programs for management and staff to continually improve their professional skills and expertise, helping them achieve greater success in their careers.

ENVIRONMENTAL POLICIES AND PERFORMANCE

As global climate issues become increasingly severe, the transition to a low-carbon economy has become an inevitable trend for future development. As a corporation with a strong sense of social responsibility, the Group recognises its duties and mission as a public company and actively implements environmental protection measures, striving to minimise the negative impact of its production and business activities on the environment.

During the Review Year, the Group adhered to green and low-carbon production methods and continued to increase investment in environmental protection and research and development. By adopting advanced production processes and optimising production workflows, the Group strictly controlled and reduced waste emissions throughout the production process, steadily promoting the green transformation and upgrade of the enterprise. In the future, the Group will continue to uphold the philosophy of green development, deeply integrate the concept of energy saving and green production into its corporate culture, and contribute to the implementation of the national low-carbon development strategy through concrete actions.

GOING CONCERN

RESPONSES FROM THE DIRECTORS REGARDING THE “DISCLAIMER OF OPINION” SET OUT IN THE INDEPENDENT AUDITOR’S REPORT FOR THE YEAR ENDED 31 DECEMBER 2024

BDO Limited (the “Auditor”), the independent auditor of the Company, stated in the Independent Auditor’s Report (the “Independent Auditor’s Report”) set out in the 2024 Annual Report that they do not express an opinion on the consolidated financial statements of the Group due to the potential interaction of the multiple uncertainties relating to going concern and their possible cumulative effects on the consolidated financial statements. For details, please refer to “Independent Auditor’s Report”.

As disclosed in note 3(b) to the consolidated financial statements of the Group for 2024, assuming the success of the plans and measures to mitigate the liquidity pressure and to improve financial position, the Directors consider the Group would be able to finance its operations and to meet its financial obligations as and when they fall due within the next twelve months from the end of the reporting period. Accordingly, the Directors consider the use of going concern assumption in the preparation of the consolidated financial statements of the Group is appropriate. However, the Auditor was unable to obtain sufficient supporting bases to assess the appropriateness and reasonableness of the use of the going concern assumption and thus unable to form an opinion of the basis. Although the Directors explained the situation to the Auditor, it remains difficult for the Directors to provide such supporting evidence as the Auditor considers sufficient at this stage, in view of the disparities in the understanding of the country’s political environment, legal framework and economic environment.

The Group has been actively tackling the challenges from all aspects during the Review Year

Despite facing multiple challenges, including business losses, breaches of certain covenants in bank borrowings and litigations, the Directors and management actively addressed these issues throughout the Review Year. The Group’s management engaged in multiple negotiations with banks to extend the principal repayment period and reduce interest rates regarding the overdue bank borrowings during the Review Year.

In the context of a sluggish economy and tightened approval processes by domestic banks, the Group has made significant efforts to reach an agreement with one of the banks. This agreement allows for the repayment of an overdue loan principal over five years and includes waivers for portions of previously due interest and penalties, substantially alleviating the Group’s financial pressure. Additionally, the Group has maintained regular communication with another bank regarding outstanding borrowings. All parties hope the Group can sustain normal operations, and the bank has indicated that it would not take any radical actions against the Group. The Directors and management believe that the likelihood of the bank requiring immediate repayment from the Group is not high, and therefore, this does not pose a significant impact on the Group’s business operations.

However, the auditor did not remove the “Disclaimer of Opinion” for the Review Year due to the outstanding bank borrowings that have yet to be fully resolved.

Major plans to resolve the disagreement on the going concern basis with Auditor and the removal of the “Disclaimer of Opinion”

The primary focus of the Company’s work plan is to address overdue bank borrowings. Currently, the Group has overdue but outstanding bank borrowings with principal amount of HK\$344 million from a state-owned commercial bank in the PRC. The Group has been in communication with the relevant bank, seeking to reach consensus such as installment repayment of the principal and the waiving of penalties and compound interest for the previous periods. Meanwhile, the Group endeavored to persuade the relevant bank to realise its rights as creditor within the relevant time frame under the consolidated restructuring plan. However, the communication process typically requires first reaching a consensus with the branch of the lending bank, obtaining approval at the branch level, and then reporting the decision to the head office. The branch can only proceed with the solution after the head office’s final approval. We coordinate with the bank in accordance with its internal communication timetable, approval process, and its internal procedures. In addition to visiting the bank, the Group maintains regular contact with the relevant bank managers on a regular basis to monitor progress on the proposed solutions.

The Directors and the management have continuously negotiated with the bank in the past on several occasions, but due to the COVID-19 pandemic in recent years and the tightening of bank approval processes, work progress has been severely delayed. In 2025, the Directors and management will continue to fulfill their responsibilities and strive to secure the most favorable solutions for the Group.

The Company will further disclose details of the settlement of overdue bank borrowings to the stakeholders of the Company as and when appropriate.

Removal of “Disclaimer of Opinion”

Assuming all of the above plans and actions can be completed as planned, and no new circumstances or conditions arise, subject to the satisfactory completion of the Auditor’s review of the management’s assessment of the Group’s going concern, the disclaimer of opinion may be removed in connection with the audit of the consolidated financial statements of the Group for the year ending 31 December 2025.

Views of the Audit Committee and Directors

The Audit Committee of the Company and Directors had reviewed the “Disclaimer of Opinion”, the management’s position concerning the “Disclaimer of Opinion” and the measures taken by the Group to address the “Disclaimer of Opinion”. The Audit Committee agreed with the Board’s position aforementioned.

The Audit Committee had also discussed with the Auditor the financial position of the Company and the measures taken and to be taken by the Group, understood the Auditor's considerations in forming its opinion, and took the Auditor's rationale into consideration.

Furthermore, the Audit Committee and the Directors had assessed the plans and measures to be implemented by the management to address the uncertainties regarding going concern underlying the "Disclaimer of Opinion". The Audit Committee was satisfied that the abovementioned action plan may address the "Disclaimer of Opinion".

CORPORATE GOVERNANCE

The Board has reviewed the Company's corporate governance practices and is satisfied that the Company was in compliance with all applicable code provisions of the Corporate Governance Code (the "CG Code") set out in Appendix C1 to the Listing Rules throughout the Review Year, except for the matter disclosed below:

In compliance with code provision C.2.1 of the CG Code, the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. The division of responsibilities between the Chairman and Chief Executive Officer should be clearly established and set out in writing. Meanwhile, Ms. Zhu Yuan acts as both the Chairman of the Board and Chief Executive Officer of the Company. The Board believes that vesting the roles of the Chairman and the Chief Executive Officer in the same person would allow the Company to be more effective and efficient in developing business strategies and executing business plans and is beneficial to the business prospects and management of the Group. The Board believes that the balance of power can be ensured by the composition of the Board which include members who are experienced and technical individuals and of which more than half are independent non-executive Directors. In the long run, the Company would source and appoint suitable individual to take up the role of Chief Executive Officer.

MODEL CODE FOR SECURITIES TRANSACTION BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix C3 to the Listing Rules as the Company's code of conduct regarding securities transactions of the Directors. The Company, having made specific enquiry of all Directors, confirms that the Directors complied with the required standards set out in the Model Code throughout the Review Year.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Review Year.

EVENTS AFTER THE REVIEW YEAR

Save as disclosed in this announcement, there was no other significant event occurred subsequent to 31 December 2024 and up to the date of this announcement.

AUDIT COMMITTEE

The Audit Committee of the Company has reviewed with the management the accounting principles and practices adopted by the Group and discussed risk management, internal control and financial reporting matters including the review of the annual results for the Review Year. The Audit Committee has also reviewed and provided its view as to the disagreement between the Board and the Independent Auditor. Please refer to the section headed “Responses from the Directors regarding the “disclaimer of opinion” set out in the Independent Auditor’s Report for the year ended 31 December 2024”.

PUBLICATION OF ANNUAL RESULTS ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This announcement is published on the websites of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (www.hkexnews.hk) and of the Company (www.yurun.com.hk). The Company’s annual report for the year ended 31 December 2024 containing all the financial and other related information required by the Listing Rules will be despatched to the shareholders of the Company (if requested) and published on the websites of the Company and the Stock Exchange in due course.

By Order of the Board
Zhu Yuan
Chairman & CEO

Hong Kong, 25 March 2025

As at the date of this announcement, the Executive Directors of the Company are Zhu Yuan (Chairman & CEO) and Yang Linwei; the Independent Non-Executive Directors are Gao Hui, Chen Jianguo and Xu Xinglian.