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 2025

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 2025 (the "Review Year") together with the comparative figures of the corresponding period in 2024 as follows:

* *For identification purposes only*

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2025

	Notes	2025 HK$'000	2024 HK$'000
Revenue	*4*	**446,468**	992,369
Cost of sales		**(308,021)**	(877,027)
Gross profit		**138,447**	115,342
Other net income	*5*	**6,609**	95,759
Distribution expenses		**(43,661)**	(37,330)
Administrative and other operating expenses		**(124,804)**	(157,901)
Results from operating activities		**(23,409)**	15,870
Finance income		**30**	211
Finance costs		**(49,303)**	(52,530)
Net finance costs	*6(a)*	**(49,273)**	(52,319)
Loss before income tax	*6(b)*	**(72,682)**	(36,449)
Income tax credit	*7*	**–**	45
Loss for the year		**(72,682)**	(36,404)
Attributable to:			
Equity holders of the Company		**(71,245)**	(38,573)
Non-controlling interests		**(1,437)**	2,169
Loss for the year		**(72,682)**	(36,404)
Loss per share			
Basic and diluted	*9*	**HK$(0.039)**	HK$(0.021)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2025

	Notes	2025 HK$'000	2024 HK$'000
Loss for the year		**(72,682)**	(36,404)
Other comprehensive income for the year (after tax and reclassification adjustments)	*10*		
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences for foreign operations		**27,347**	21,913
Foreign currency translation differences reclassified to profit or loss upon disposal of a subsidiary		**–**	(4,111)
		27,347	17,802
Total comprehensive income for the year		**(45,335)**	(18,602)
Attributable to:			
Equity holders of the Company		**(49,975)**	(9,872)
Non-controlling interests		**4,640**	(8,730)
Total comprehensive income for the year		**(45,335)**	(18,602)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2025

	Notes	2025 HK$'000	2024 HK$'000
Non-current assets			
Property, plant and equipment		**152,371**	198,540
Lease prepayments		**34,939**	35,401
Intangible assets		**2,807**	3,056
Non-current prepayments and other receivables		**1,729**	1,723
		191,846	238,720
Current assets			
Inventories		**52,967**	78,439
Trade and other receivables	*11*	**222,680**	286,749
Income tax recoverable		**13**	62
Cash and cash equivalents		**18,023**	40,983
		293,683	406,233
Current liabilities			
Trade and other payables	*12*	**801,494**	908,023
Lease liabilities		**266**	616
Bank borrowings	*13*	**381,394**	369,922
Income tax payable		**–**	33
		1,183,154	1,278,594
Net current liabilities		**(889,471)**	(872,361)
Total assets less current liabilities		**(697,625)**	(633,641)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2025

	Notes	2025 HK$'000	2024 HK$'000
Non-current liabilities			
Bank borrowings	*13*	**55,306**	73,689
Lease liabilities		**–**	266
		55,306	73,955
NET LIABILITIES		**(752,931)**	(707,596)
EQUITY			
Share capital		**182,276**	182,276
Reserves		**(937,092)**	(887,117)
Total equity attributable to equity holders of the Company		**(754,816)**	(704,841)
Non-controlling interests		**1,885**	(2,755)
TOTAL EQUITY		**(752,931)**	(707,596)

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 2025 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 17 to 18 of this announcement.

2. BASIS OF PREPARATION

Going concern basis

The Group incurred a net loss of HK$72,682,000 for the year ended 31 December 2025 and as at 31 December 2025, the Group had net current liabilities of HK$889,471,000, net liabilities of HK$752,931,000 and current and non-current bank borrowings amounting to HK$381,394,000 and HK$55,306,000 respectively, while its cash and cash equivalents amounted to HK$18,023,000 only.

Certain current bank borrowings originated in prior financial periods amounted to HK$352,218,000 together with the accrued interest of HK$300,559,000 (included in trade and other payables (note 12)), totalling HK$652,777,000 were indefault and overdue as at 31 December 2025. In addition, as disclosed in note 13(i), the Group could not fulfil certain bank covenants relating to the abovementioned bank borrowings of HK$352,218,000 and the relevant bank had initiated litigations against the Group to settle the outstanding balances in prior years.

These events and conditions may cast significant doubt on the Group's ability to continue as a going concern.

For the purpose of assessing going concern, management have prepared a cash flow forecast covering a period of fifteen months from the end of the reporting period (the "Cash Flow Forecast") with the following plans and measures to mitigate the liquidity pressure and to improve its financial position:

(i) The Group has been actively negotiating 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 certain bank borrowings;

(ii) The potential outcome on conclusive settlement of the bank borrowings as part of the consolidated restructuring as disclosed in note 13(i);

(iii) Management will continue to implement sales and cost control strategies to enhance the Group's profitability and cash flows; and

(iv) Actively negotiating with banks to obtain additional new financing and other source of funding as and when required.

Based on the Cash Flow Forecast, the Directors considered the Group would have sufficient financial resources to finance its operations and to meet its financial obligations within the next fifteen months from the end of the reporting period. Accordingly, it is appropriate to prepare the consolidated financial statements on a going concern basis.

However, the validity of the going concern assumption depends upon the 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 defaulted bank borrowings with principal amount of HK$352,218,000;

(ii) the successful outcome on conclusive settlement of the bank borrowings as part of the consolidated restructuring as disclosed in note 13(i);

(iii) the successful implementation of sales and cost control strategies to improve the Group's operating profitability and cash flows; and

(iv) the successful negotiation with the banks to obtain additional new financing and other source of funding as and when required.

These indicate the existence of material uncertainties that 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 abovementioned plans and measures it might not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying values of the Group's assets to their net realisable amounts, to provide for any further liabilities which might 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 these 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 2025 for the preparation of the consolidated financial statements:

Amendments to IAS 21	Lack of Exchangeability

Amendments to IAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. As the currencies that the Group had transacted in and the functional currencies of overseas subsidiaries, if any, for translation into the Group's presentation currency were exchangeable, the amendments did not have any impact on the Group's financial statements.

The Group has not applied any new or amendments to IFRS Accounting Standards that is not yet effective for the current year.

4. REVENUE AND SEGMENT INFORMATION

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.
Processed meat products	:	The processed meat products segment manufactures and distributes processed meat products.

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 2025 and 2024 is set out below:

	Chilled and frozen meat		**Processed meat products**		**Total**	
	2025	2024	**2025**	2024	**2025**	2024
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
External revenue	**117,165**	552,598	**329,303**	439,771	**446,468**	992,369
Reportable segment revenue	**117,165**	552,598	**329,303**	439,771	**446,468**	992,369
Depreciation and amortisation	**(16,642)**	(22,116)	**(8,940)**	(8,839)	**(25,582)**	(30,955)
Gain/(loss) on disposal of property, plant and equipment and lease prepayments	**12,594**	21,305	**(90)**	491	**12,504**	21,796
Written-off property, plant and equipment	**–**	–	**–**	(22,316)	**–**	(22,316)
Written-off value-added tax recoverable	**(84)**	(35,227)	**–**	(219)	**(84)**	(35,446)
Impairment losses on property, plant and equipment	**(17,541)**	(42,119)	**–**	–	**(17,541)**	(42,119)
Gain on disposal of a subsidiary	**–**	17,710	**–**	–	**–**	17,710
(Impairment losses)/reversal of impairment losses on trade and other receivables, net	**(22,671)**	1,081	**(27,261)**	(56,960)	**(49,932)**	(55,879)
Government subsidies	**–**	1,234	**372**	206	**372**	1,440
Reportable segment profit before income tax	**4,654**	20,361	**16,964**	7,396	**21,618**	27,757

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

	2025	2024
	HK$'000	*HK$'000*
Revenue		
Total revenue of reportable segments	**446,468**	992,369
Consolidated revenue	**446,468**	992,369
Profit/(loss)		
Total reportable segment profit before income tax	**21,618**	27,757
Net finance costs (note 6(a))	**(49,273)**	(52,319)
Income tax credit	**–**	45
Unallocated head office and corporate expenses	**(45,027)**	(11,887)
Consolidated loss for the year	**(72,682)**	(36,404)

(c) Geographical information

The Group's revenue and 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.

5. OTHER NET INCOME

	2025	2024
	HK$'000	*HK$'000*
Government subsidies	**372**	1,440
Gain on disposal of a subsidiary	**–**	17,710
Written-off value-added tax recoverable *(note i)*	**(84)**	(35,446)
Gain on disposal of property, plant and equipment and lease prepayments	**13,010**	21,796
Written-off property, plant and equipment *(note ii)*	**–**	(22,316)
Written-off lease liabilities *(note ii)*	**–**	60,651
Gain on extinguishment of debt *(note 13(iii))*	**–**	56,152
Rental income	**259**	331
Sales of scrap	**76**	774
Sundry expenses, net	**(7,024)**	(5,333)
	6,609	95,759

Notes:

(i) 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 had 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):

(a) Net finance costs

	2025	2024
	HK$'000	*HK$'000*
Interest on bank borrowings	**46,454**	50,351
Interest on lease liabilities	**29**	2,062
	46,483	52,413
Bank charges	**38**	80
Net foreign exchange loss	**2,782**	37
Interest income from bank deposits	**(30)**	(211)
	49,273	52,319

(b) Other items

	2025	2024
	HK$'000	*HK$'000*
Cost of inventories	**308,021**	877,027
(Reversal of write-down)/write-down of inventories	**(2,355)**	1,019
Impairment losses on trade and other receivables, net	**49,932**	55,879
Impairment losses on property, plant and equipment	**17,541**	42,119
Depreciation		
– Owned property, plant and equipment	**22,984**	27,693
– Right-of-use-assets including:		
– Properties	**599**	2,265
– Lease prepayments	**2,276**	997
Amortisation of intangible assets	**322**	–
Auditors' remuneration		
– audit services	**1,250**	1,250
– other services	**550**	550

7 INCOME TAX CREDIT

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

	2025	2024
	HK$'000	*HK$'000*
Current income tax expense	**–**	–
Over-provision in respect of prior years	**–**	(45)
Income tax credit in the consolidated statement of profit or loss and other comprehensive income	**–**	(45)

(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 2025 and 2024.

(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 2025 and 2024, 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 2025 and 2024.

(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 2025 (2024: HK$Nil).

9. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share for the year ended 31 December 2025 is based on the loss attributable to equity holders of the Company for the year of HK$71,245,000 (2024: HK$38,573,000) and the weighted average number of 1,822,756,000 (2024: 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 2025 (2024: 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 2025 and 2024.

11. TRADE AND OTHER RECEIVABLES

	2025	2024
	HK$'000	*HK$'000*
Trade receivables	**72,516**	93,010
Less: Expected credit losses	**(33,564)**	(7,997)
Trade receivables, net	**38,952**	85,013
Value-added tax recoverable	**73,727**	61,468
Deposits and prepayments	**76,143**	69,603
Other receivables	**33,858**	70,665
	222,680	286,749

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

	2025	2024
	HK$'000	*HK$'000*
Within 30 days	**31,443**	82,346
31 days to 90 days	**6,442**	2,025
91 days to 180 days	**1,067**	642
Over 180 days	**–**	–
	38,952	85,013

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

	2025	2024
	HK$'000	*HK$'000*
Trade payables	**75,448**	113,855
Deposits from customers	**1,809**	20,322
Contract liabilities	**20,629**	19,465
Salary and welfare payables	**3,827**	10,414
Value-added tax payable	**70,932**	64,229
Payables for acquisitions of property, plant and equipment	**–**	27,229
Provision for losses on litigations	**42,992**	63,299
Interest payables	**300,559**	250,721
Other payables and accruals	**280,298**	338,489
Amount due to a shareholder *(note)*	**5,000**	–
	801,494	908,023

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

	2025	2024
	HK$'000	*HK$'000*
Within 30 days	**5,473**	37,594
31 days to 90 days	**14,468**	8,311
91 days to 180 days	**352**	37,981
Over 180 days	**55,155**	29,969
	75,448	113,855

Note: The amount is unsecured, interest-free and repayable on demand.

13. BANK BORROWINGS

(i) As at 31 December 2025, the Group could not fulfil certain covenants imposed by a bank on certain bank borrowings of HK$352,218,000 (2024: HK$343,553,000). There were outstanding litigations initiated by the bank in the PRC against the Group requesting the Group to repay these outstanding bank borrowings. These bank borrowings, and the accrued interest of HK$300,559,000 (2024: HK$250,721,000) were in default and 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. Details of the consolidated restructuring are set out the Company's announcements dated 17 November 2020, 23 February 2021, 30 April 2021, 25 May 2021, 27 May 2021, 27 August 2021, 4 January 2022 and 30 January 2022. 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 abovementioned 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. As at 31 December 2025, the restructuring plan has not completed.

Among these, the Court handed down the judgements related to certain of these outstanding bank borrowings in prior years. As at 31 December 2025, based on the judgements the Group shall repay these outstanding bank borrowings together with accrued interest of HK$537,273,000 (2024: HK$416,664,000) in total. The Group will continue to negotiate with the bank on the repayment of these bank borrowings.

(ii) 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 contained modifications to the contractual terms of the bank borrowings which were 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 2025, 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 2025:

"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 HK$72,682,000 for the year ended 31 December 2025 and as at 31 December 2025, the Group had net current liabilities of HK$889,471,000, net liabilities of HK$752,931,000 and current and non-current bank borrowings amounting to HK$381,394,000 and HK$55,306,000 respectively, while its cash and cash equivalents amounted to HK$18,023,000 only.

Certain current bank borrowings originated in prior financial periods amounted to HK$352,218,000 together with the accrued interest of HK$300,559,000 (included in trade and other payables (note 27) to the consolidated financial statements) were overdue as at 31 December 2025. In addition, as disclosed in notes 3(b), 25(i) and 25(ii) to the consolidated financial statements, the Group could not fulfil certain bank covenants relating to the abovementioned current bank borrowings of HK$352,218,000 and the relevant bank had commenced litigations against the Group to settle the outstanding balances in prior years.

These events and conditions may cast significant doubt on the Group's ability to continue as a going concern.

Nevertheless, the consolidated financial statements have been prepared on a going concern basis based on the plans and measures disclosed in note 3(b) to the consolidated financial statements to improve the Group's liquidity and financial position. The validity of going concern assumption on which the consolidated financial statements have been prepared depends on the outcome of these 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 defaulted bank borrowings with principal amount of HK$352,218,000;

(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;

(iii) the successful implementation of sales and cost control strategies to improve the Group's operating profitability and cash flows; and

(iv) the successful negotiation with the banks to obtain additional new financing and other source of funding as and when required.

These indicate the existence of material uncertainties that 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. As a result of the above-mentioned multiple uncertainties, the potential interaction of these uncertainties, and the possible cumulative effect thereof, we were unable to form an opinion as to whether the going concern basis of preparation is appropriate.

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 2024 ("2024 consolidated financial statements") relating to the going concern basis of preparing the consolidated financial statements. Any adjustments to the balances as at 31 December 2024 would affect the balances of these financial statements items as at 1 January 2025 and the corresponding movements, if any, during the year ended 31 December 2025. The balances as at 31 December 2024 and the amounts for the year then ended are presented as corresponding figures in the consolidated financial statements for the year ended 31 December 2025. We disclaimed our audit opinion on the consolidated financial statements for the year ended 31 December 2025 also for the possible effect of the disclaimer of audit opinion on 2024 consolidated financial statements on the comparability of 2025 figures and 2024 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 Tuesday, 9 June 2026. 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 2025.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 4 June 2026 to Tuesday, 9 June 2026, 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 Wednesday, 3 June 2026.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

In 2025, the global economic landscape continued to undergo in-depth adjustments with persistent uncertainties. However, domestic macroeconomic policies were implemented coordinately and the endogenous momentum of the economy strengthened steadily, keeping overall economic performance remained within a reasonable range. According to data from the National Bureau of Statistics, the gross domestic product ("GDP") achieved steady growth for the full year. In the first half of the year, GDP reached Renminbi ("RMB") 66,053.6 billion, representing a year-on-year increase of 5.3% at constant prices, with continued effectiveness in economic structural optimisation and upgrading. Alongside the gradual improvement in residents' employment and income expectations, vitality in the consumer market was further stimulated, and the growth rate of total retail sales of consumer goods stabilised and rebounded. Although the consumer price index decreased by 0.1% year-on-year in the first half of the year due to weak consumer willingness, it maintained a generally moderate operating trend throughout the year, laying a macroeconomic foundation for the development of the meat processing industry.

The hog farming industry, following the earlier production capacity reductions, entered a critical phase of supply-demand rebalancing in 2025. Throughout the year, hogs slaughtered increased by 2.4% year-on-year to 719.73 million heads, and pork production reached 59.38 million tons, representing a year-on-year increase of 4.1%. As at 31 December 2025, the national hog inventory stood at 429.67 million heads, reflecting a 0.5% year-on-year increase. The supply of hogs generally trended towards stabilisation, and price fluctuations narrowed from previous years. The industry is witnessing significant polarization with the accelerated advancement of large-scale and standardized operations, alongside ever-tightening regulatory requirements for environmental protection, disease prevention, and food safety, driving further concentration of resources towards leading enterprises with comprehensive advantages. On the consumption side, consumers' recognition of the quality, safety and brand of pork products continued to increase, with growing demand for healthier and more convenient options, particularly the rapid growth in demand for healthy meat products such as reduced-salt items, pushing the industry up the value chain. The Group believes that enterprises with full industry chain control capabilities, strong brand influence and sustained innovation capabilities will gain greater competitive advantages, and industry concentration is expected to increase further.

BUSINESS REVIEW

In 2025, the Group proactively responded to external challenges including changes in the market environment, fluctuations in hog prices and intensifying industry competition. The Group steadfastly executed its established development strategy, focused on its core business, optimised operational measures, and strived for stable business development. The Group maintained its focus on the core brand "Haroulian", taking product innovation and quality enhancement as the core drivers. It closely grasped the trends of consumption recovery and upgrading, deepened product structure optimisation, and focused on strengthening the research, development and marketing of high value-added products such as chilled pork and low-temperature meat products ("LTMP"), committing to meet consumers' increasingly diversified, personalised demands for healthy and delicious products.

During the Review Year, the Group effectively enhanced its resilience against risks and market competitiveness by strengthening supply chain management, implementing refined cost control, improving operational efficiency, and deepening its online and offline omni-channel presence. Concurrently, the Group continued to promote brand rejuvenation and digitalisation, strengthening interaction and emotional connection with consumers, thereby further solidifying brand reputation and customer loyalty. Although overall revenue declined in the first half of the year due to factories such as the streamlining of production capacity at certain slaughterhouses and the cessation of operations upon expiry of lease agreements for some processing plants, the Group's operational performance steadily improved following the gradual implementation of operating strategies in the second half of the year, laying a solid foundation for achieving sustainable business growth.

Product Quality and Research & Development

The Group consistently regards food safety and product quality as the lifeline of its survival and development, adhering to the principle of "Quality First". In 2025, the Group continued to improve its "farm-to-table" whole-chain quality control system. Strict, high-standard quality control measures were implemented at every stage – from raw material procurement, production processing, inspection and testing to logistics and distribution – ensuring that every product delivered to consumers is safe, reliable and of high quality, guaranteeing the stability and consistency of product quality.

In terms of research and development and innovation, the Group leveraged its in-depth cooperation with scientific research institutions such as Northeast Agricultural University to continuously apply cutting-edge scientific and technological achievements to product development and process improvement. By closely tracking market trends, we successfully launched several new products aligned with modern healthy eating concepts and upgraded the quality of existing product lines. The technological progress awards received are a strong testament to our continued investment in technological innovation and our technology-driven development approach. In the future, we will continue to increase investment in research & development, deepen industry-university-research collaboration, and strive to create more value for consumers.

Sales and Distribution

In 2025, the Group continued to optimise its business portfolio, clearly identifying the high value-added LTMP business as the core development focus. This business segment, leveraging precise market positioning and effective marketing strategies, has maintained a good growth momentum, with its revenue contribution continuously increasing, and it remains the Group's primary source of income. Although the upstream slaughtering segment has been a reduction in volume due to the strategic streamlining in 2025, the Group has effectively optimised its profitability by improving operational efficiency and focusing on high-margin products, thereby ensuring the overall stability of its core operations. Concurrently, the Group has continuously refined its sales network. On one hand, it has cultivated traditional offline channels intensively, strengthening cooperation ties with distributors. On the other hand, it has actively expanded new retail channels, leveraging digital tools to achieve more efficient and precise customer reach and service, further broadening market coverage and enhancing market penetration.

Production Facilities and Capacity

Based on the capacity optimisation adjustments completed in 2024, the Group's production layout in 2025 became more focused and efficient, with production resources further tilted towards high value-added products. As at 31 December 2025, the annual production of the Group's capacity for upstream slaughtering segment and downstream processed meat products segment was approximately 2.35 million heads and 20,000 tons, respectively, which was in line with the annual production capacity at the end of 2024. The current production configuration is highly aligned with the Group's strategic objectives of focusing on high value-added products and enhancing asset operating efficiency, effectively preventing capacity idling and improving asset utilisation.

In terms of production technology upgrades, the Group has actively introduced advanced automation equipment, such as automated packaging lines and automated palletisers, achieving automation and intellectualisation of production processes. This has not only improved production efficiency but also reduced production costs. Looking ahead, the Group will, based on market developments and business growth needs, tap into the potential of existing capacity through timely technological upgrades and other measures, continuously optimise production processes, enhance production efficiency, and provide solid production capacity support for the future development of the business.

Management Summary and Outlook

In 2025, navigating a complex market environment, the Group adhered to its core strategy, focused on advantageous businesses, and achieved certain results in product innovation, quality control, and channel optimisation. It effectively responded to various external challenges and consolidated its core competitiveness. Meanwhile, the management is fully aware that the Group still faces challenges such as net liabilities and the need to improve the profitability of certain business segments. Intensifying industry competition also imposes higher requirements on future development.

Looking ahead, with the continuous improvement of the domestic macroeconomic environment and the further release of vitality in the consumer market, the trend towards healthier and large-scale development in the meat processing industry will become more pronounced. The Group's management will continue to lead all employees in steadfastly executing the development strategy. On one hand, we will continue to increase research and development investment, deepen product structure upgrades, focus on healthy, high value-added products, and consolidate core brand advantages. On the other hand, we will continue to optimise the debt structure, enhance operating efficiency, strengthen whole-chain quality control, deepen the integration of online and offline channels, strive to improve the financial position, and achieve the goal of moving from net liabilities to net assets. Through these efforts, we aim to promote the Group's sustainable and healthy development and better reward shareholders and society.

FINANCIAL REVIEW AND KEY PERFORMANCE INDICATORS

The Group recorded revenue of HK$446 million (2024: HK$992 million) for the Review Year. During the Review Year, the loss attributable to equity holders was approximately HK$71 million (2024: HK$39 million). Basic and diluted loss per share was HK$0.039 (2024: HK$0.021).

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 Meat

During the Review Year, in response to declining pork consumption, the Group strategically reduced production at certain factories with lower profit margins to enhance overall efficiency. As a result, the slaughtering volume decreased from approximately 250,000 heads to approximately 34,000 heads by 86.4%. This decline affected the overall revenue from the upstream business decreased by 78.8% to HK$117 million (2024: HK$552 million). Among these, revenue from chilled pork was HK$69 million (2024: HK$479 million) and approximately 59% (2024: 87%) of the total revenue of the upstream business. The revenue of frozen pork amounted to HK$48 million (2024: HK$73 million), representing approximately 41% (2024: 13%) of the total revenue of the upstream business.

Processed Meat Products

During the Review Year, sales of processed meat products of the Group was HK$329 million (2024: HK$440 million), decreased by approximately 25.2% compared to last year.

Among these, revenue from LTMP was HK$317 million (2024: HK$294 million), accounting for approximately 96% (2024: 67%) of the total revenue from processed products and serving as the primary source of income for the processed meat segment.

The lease agreements of the Group's certain processed plants that produced high-temperature meat products ("HTMP") expired on 31 December 2024. Therefore, the sales of HTMP was dropped during the Review Period. Revenue from HTMP was HK$12 million (2024: HK$146 million), representing approximately 3% (2024: 15%) of the Group's total revenue and approximately 4% (2024: 33%) of the total revenue of the processed meat segment, respectively.

Gross Profit and Gross Profit Margin

During the Review Year, the Group focused on downstream business which had a higher gross profit margin, driving the Group's overall gross profit margin significantly increase from 11.6% to 31.0%, representing 19.4 percentage point increment.

For the upstream business, the gross profit margins for chilled pork and frozen pork were 5.9% and 2.4% respectively (2024: 1.1% and -2.5% respectively). The overall gross profit margin of the upstream segment was 4.5%, representing an increase of 3.9 percentage point from 0.6% in last year. This improvement was primarily driven by optimizing the business structure, enhancing core competitiveness, and upgrading the operating model. Specifically, the Group shifted from traditional slaughtering and processing towards refined cutting, brand building, and the production of high-value-added products. As a result, the gross profit margin improved during the Review Year.

In respect of the downstream processed meat segment, the gross profit margin for LTMP was 41.8% (2024: 29.5%), which is significantly increased by 12.3 percentage point. The primary reason for this was the suspension of production at factories with lower profit margins. The gross profit margin for HTMP decreased from 17.3% to 6.2%. It was mainly affected by promotional price cuts resulting from the short remaining shelf life of products from the suspended factories. The overall gross profit margin for the downstream business was 40.4%, a sharply increase of 15.0 percentage point compared to 25.4% in last year was the result of an improvement for LTMP segment during the Review Year.

Other Net Income

During the Review Year, the Group recorded other net gain of approximately HK$7 million (2024: HK$96 million). It was primarily attributable to the one-off written-off lease liabilities and gain on extinguishment of debt and gain on disposal of subsidiary recognised in last year, amounting to approximately HK$117 million and HK$18 million respectively; a decrease in the written-off value-added tax recoverable of approximately HK$35 million was recognised for the Review Year; and a decrease in the written-off property, plant and equipment of approximately HK$22 million was recognised for the Review Year.

Impairment Losses on Non-Current Assets

As at 31 December 2025, 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, no impairment loss (2024: HK$42 million) was recognised for the Review Year.

However, certain items of construction in progress were determined by management of the Company to be damaged and with no value, and accordingly, an impairment loss of HK$17 million was recognised in the Review Year.

Operating Expenses

Operating expenses included distribution expenses and administrative and other operating expenses. During the Review Year, operating expenses of the Group were approximately HK$168 million (2024: HK$195 million), accounting for 37.7% (2024: 19.7%) of the Group's revenue, which included an impairment loss for trade and other receivables of approximately HK$50 million (2024: HK$55 million).

Results of Operating Activities

During the Review Year, the Group's operating loss was approximately HK$23 million (2024: profit of approximately HK$16 million).

Net Finance Costs

During the Review Year, the net finance costs of the Group were approximately HK$49 million (2024: HK$52 million), which was rather stable when compared with the last corresponding period.

Income Tax

During the Review Year, no any income tax was incurred. The income tax credit was approximately HK$45,000 for 2024.

FINANCIAL RESOURCES

As at 31 December 2025, the Group's cash and cash equivalents was HK$18 million, representing a decrease of 56% as compared to HK$41 million as at 31 December 2024. Of this, approximately 96% (2024: 93%) was denominated in RMB, and approximately 1% (2024: 3%) was denominated in US Dollars ("USD"), with the remaining amount in other currencies.

As at 31 December 2025, the Group had outstanding bank borrowings of HK$437 million, representing a decrease of HK$7 million from HK$444 million as at 31 December 2024, of which HK$381 million of bank borrowings were due within one year (2024: HK$370 million). During the Review Year, the Group repaid bank borrowings of approximately HK$20 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 2024. As at 31 December 2025, the Group's fixed-rate debt ratio was 94% (2024: 94%).

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$9 million (2024: HK$14 million).

BREACH OF BORROWINGS AGREEMENTS

As at 31 December 2025, the Group could not fulfil certain covenants imposed by the bank on the bank borrowings of HK$352 million (2024: HK$344 million). All of these bank borrowings and the accrued interest of HK$301 million (2024: HK$251 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 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 2025 and up to the date of this report, 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$352 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 2025, the total assets of the Group were HK$486 million (2024: HK$645 million), representing a decrease of HK$159 million compared to 31 December 2024. The Group's total liabilities as at 31 December 2025 were HK$1.238 billion, a decrease of HK$115 million from HK$1.353 billion as at 31 December 2024.

As at 31 December 2025, the property, plant, and equipment of the Group amounted to HK$152 million (2024: HK$199 million), a decrease of HK$47 million from 31 December 2024. The decrease was mainly due to the disposal of property, plant and equipment with a net book value of approximately HK$21 million, the impairment on property, plant and equipment of approximately HK$18 million and depreciation charged during the Review Year.

As at 31 December 2025, the lease prepayments of the Group amounted to HK$35 million (2024: HK$35 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.

As at 31 December 2025, the Group's trade and other receivables amounted to HK$223 million (2024: HK$287 million), which represented a decrease of HK$64 million. It was mainly due to the impairment losses on trade and other receivables of approximately HK$50 million.

As at 31 December 2025, the Group's trade and other payables amounted to HK$801 million (2024: HK$908 million), which represented a decrease of approximately HK$107 million. It was mainly due to the settlement of trade and other payables during the Review Year.

As at 31 December 2025, the net liabilities of the Group was HK$753 million (2024: HK$708 million) and its current bank borrowings amounted to HK$381 million (2024: HK$370 million), while the cash and cash equivalents amounted to approximately HK$18 million (2024: HK$41 million). Despite the net liabilities position as at 31 December 2025, the Group had non-current assets of approximately HK$192 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. Looking ahead, with the expected improvement in the economic environment and the management's ongoing efforts to enhance operational efficiency and optimize the debt structure, the Group will gradually improve its financial position in the future.

As the equity attributable to equity holders of the Company was a deficit of approximately HK$755 million, it is not appropriate to calculate the gearing level as at 31 December 2025.

CHARGES ON ASSETS

As at 31 December 2025, certain trade receivables of the Group with a carrying amount of approximately HK$16 million (2024: HK$17 million) were pledged against a bank borrowing with a total amount of approximately HK$24 million (2024: HK$27 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 market environment and cash flow of the Group, the Board is more cautious on capital expenditure in coming years. It is currently expected that the preliminary planned budget will be used mainly for the regular maintenance of factories, upgrading and technical transformation of equipment. As at the date of this report, 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 report, the Group has no plan to make any significant investment in or acquisition of capital assets.

CONTINGENT LIABILITIES

As at 31 December 2025, 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$352 million (2024: HK$344 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 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 2025, the Group had a total of approximately 454 (2024: 1,000) employees in the PRC and Hong Kong. During the Review Year, the total staff cost was approximately HK$48 million, accounting for 10.7% of the revenue of the Group (2024: HK$66 million, accounting for 6.6% of revenue of the Group).

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 discretionary bonuses, to enhance employees' sense of belonging and motivate their active participation in the Group'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 2025

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 2025 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 2025, 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 fifteen 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 procedure of banks, the Group has made significant efforts to maintain regular communication with 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$352 million from a state-owned commercial bank in the PRC. The Group has been continued to actively negotiate with the relevant bank by seeking to reach consensus such as installment repayment of the principal and the waiving of penalties and compound interest for the previous periods. 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.

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. As of the date of this report, the matter is still under internal processing at the bank, and no latest notification has been received.

In 2025, the Directors and management will continue to fulfil 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 the applicable code provisions of the Corporate Governance Code set out in Appendix C1 to the Listing Rules, throughout the year except for a deviation in code provision C.2.1.

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, 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.

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 2025 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 2025”.

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 2025 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, 26 March 2026

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 Xu Xinglian.