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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)

**DISCLOSEABLE TRANSACTION**

**DISPOSAL OF LAND AND PROPERTIES IN RELATION TO  
ZIBO LAND RESUMPTION**

**THE ZIBO LAND RESUMPTION**

On 30 March 2021, Zibo Yurun, an indirect wholly-owned subsidiary of the Company entered into the Zibo Land Resumption Agreement with the Administrative Committee of Zibo Hi-tech Industry Development Zone, pursuant to which, the Administrative Committee of Zibo Hi-tech Industry Development Zone will resume, and Zibo Yurun will surrender, the Zibo Resumed Land together with the Properties in consideration of a total compensation of RMB125,605,302 (equivalent to approximately HK\$149,180,000) payable by the Administrative Committee of Zibo Hi-tech Industry Development Zone to Zibo Yurun.

**LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Zibo Land Resumption exceed 5%, but all of the applicable percentage ratios are less than 25%, the transactions contemplated under the Zibo Land Resumption Agreement constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

**BACKGROUND**

On 30 March 2021, Zibo Yurun, an indirect wholly-owned subsidiary of the Company entered into the Zibo Land Resumption Agreement with the Administrative Committee of Zibo Hi-tech Industry Development Zone, pursuant to which, the Administrative Committee of Zibo Hi-tech Industry Development Zone will resume, and Zibo Yurun will surrender, the Zibo Resumed Land together with the Properties in consideration of a total compensation of RMB125,605,302 (equivalent to approximately HK\$149,180,000) payable by the Administrative Committee of Zibo Hi-tech Industry Development Zone to Zibo Yurun.

## THE ZIBO LAND RESUMPTION AGREEMENT

The principal terms of the Zibo Land Resumption Agreement are set out as follows:

Date: 30 March 2021

Parties: (1) Zibo Yurun, an indirect wholly-owned subsidiary of the Company; and  
(2) Administrative Committee of Zibo Hi-tech Industry Development Zone.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Administrative Committee of Zibo Hi-tech Industry Development Zone and its ultimate beneficial owners are Independent Third Parties.

### Subject Matter

Pursuant to the Zibo Land Resumption Agreement, the Administrative Committee of Zibo Hi-tech Industry Development Zone will resume, and Zibo Yurun will surrender, the Zibo Resumed Land together with the Properties in consideration of a total compensation of RMB125,605,302 (equivalent to approximately HK\$149,180,000) payable by the Administrative Committee of Zibo Hi-tech Industry Development Zone to Zibo Yurun.

The amount of compensation for the resumption of the Zibo Resumed Land together with the Properties was agreed following a series of negotiations held between the Administrative Committee of Zibo Hi-tech Industry Development Zone and the Group, taking into account, among others, (i) a valuation made by an independent professional valuer jointly engaged by the Administrative Committee of Zibo Hi-tech Industry Development Zone and Zibo Yurun under the market approach and replacement cost approach for the acquisition of the Zibo Resumed Land together with the Properties; and (ii) an audit report issued by 高新區審計監督中心 (Gaoxin District Audit Supervision Centre\*) in respect of Zibo Yurun.

### THE ZIBO RESUMED LAND

The Zibo Resumed Land, located in Zibo City, Shandong Province, the PRC, has been included in the land planning project of the Administrative Committee of Zibo Hi-tech Industry Development Zone. Pursuant to the Zibo Land Resumption Agreement, the Administrative Committee of Zibo Hi-tech Industry Development Zone will resume, and Zibo Yurun will surrender the Zibo Resumed Land and the Properties situated on the Zibo Resumed Land.

Particulars of the Zibo Resumed Land are set out below:

<b>Address:</b>	East of Huihu Road, Gaoxin District, Zibo City, Shandong Province, the PRC
<b>Site code:</b>	Ziguoyong (2011) No. F02334 (淄國用 (2011) 第 F02334 號) and Ziguoyong (2012) No. F00287 (淄國用 (2012) 第 F00287 號)
<b>Total land area (approximate sq. m):</b>	219,321
<b>Properties situated on the Zibo Resumed Land:</b>	Mainly a hog slaughtering factory, staff quarters and canteen (under construction)
<b>Land use:</b>	Industrial

The Zibo Resumed Land and the Properties situated on the Zibo Resumed Land are currently under construction and have not been put into operation and use.

## **COMPENSATION AND PAYMENT TERMS**

Pursuant to the Zibo Land Resumption Agreement, the total compensation payable by the Administrative Committee of Zibo Hi-tech Industry Development Zone to Zibo Yurun for the Zibo Land Resumption will be RMB125,605,302 (equivalent to approximately HK\$149,180,000). Pursuant to the Zibo Land Resumption Agreement, after deducting the relevant taxes payable by Zibo Yurun in respect of the Zibo Resumed Land and the Properties and Zibo Yurun's businesses thereon of approximately RMB43.45 million (equivalent to approximately HK\$51.61 million), the remaining balance of the compensation in the sum of approximately RMB82.16 million (equivalent to approximately HK\$97.57 million), shall be payable in cash by the Administrative Committee of Zibo Hi-tech Industry Development Zone in the following manner and timeline:

- (1) Within 15 business days after completion of the formalities necessary for the resumption of the Zibo Resumed Land and the Properties, and delivery of the Zibo Resumed Land and the Properties by Zibo Yurun to the Administrative Committee of Zibo Hi-tech Industry Development Zone, which shall take place within 60 days after the Zibo Land Resumption Agreement, a sum of RMB20.00 million (equivalent to approximately HK\$23.75 million) shall be paid (the **"First Instalment"**); and
- (2) a sum of RMB50.00 million (equivalent to approximately HK\$59.38 million) shall be paid within 60 days after the payment of the First Instalment, provided that Zibo Yurun has completed a soil pollution investigation with the issue of a report showing that there is no pollution of the soil on the Zibo Resumed Land; and
- (3) the remaining sum of RMB12.16 million (equivalent to approximately HK\$14.44 million) shall be payable on 30 December 2021, provided that there has not been any party alleging interests on the Zibo Resumed Land and the Properties or any breach of the Zibo Land Resumption Agreement by Zibo Yurun during the period from the date of the Zibo Land Resumption Agreement to 30 December 2021.

## **REASONS AND BENEFITS OF ENTERING INTO OF THE ZIBO LAND RESUMPTION AGREEMENT**

For reasons such as land conservation and land-use intensification, the Administrative Committee of Zibo Hi-tech Industry Development Zone agreed to, among others, compensate Zibo Yurun an aggregate of RMB125,605,302 (equivalent to approximately HK\$149,180,000) for surrendering the Zibo Resumed Land together with the Properties.

As the Zibo Resumed Land and the Properties are currently under construction and have not been put into operation and use, and the Group has other hog slaughtering plants in Shandong Province, the PRC, it is expected that the Zibo Land Resumption will not cause material disruption to the business operations, financial conditions and future development of the Group.

## INFORMATION OF THE ZIBO RESUMED LAND

Set out below is the financial information attributable to the Zibo Resumed Land together with the Properties with reference to the audited accounts of the Group for the two years ended 31 December 2019 and 2020.

	<b>For the year ended 31 December 2019 RMB'million (approximately)</b>	<b>For the year ended 31 December 2020 RMB'million (approximately)</b>
Revenue	-	-
Net loss before taxation	6.60	3.80
Net loss after taxation	6.60	3.80

With reference to the latest audited financial information of the Group, the book value of the Zibo Resumed Land together with the Properties was approximately RMB82.00 million (equivalent to approximately HK\$99.00 million) (*Note 1*) as at 31 December 2020.

*Note 1: the conversion of RMB into HK\$ is based on the exchange rate used in the annual report of the Company for the financial year ended 31 December 2020.*

## FINANCIAL EFFECTS OF THE ZIBO LAND RESUMPTION AND THE USE OF PROCEEDS

Based on the book value of the Zibo Resumed Land together with the Properties as at 31 December 2020 with reference to the latest audited financial information of the Group, it is expected that after deducting the estimated transaction costs and related taxes, the Group will recognize a gain from the disposal of the Zibo Resumed Land (together with the Properties) of approximately RMB16.00 million (equivalent to approximately HK\$19.00 million).

The net proceeds (after deducting other expenses in relation thereto) arising from the Zibo Land Resumption will be approximately RMB82.00 million (equivalent to approximately HK\$97.00 million).

The Company intends to apply the net proceeds for the Group's general working capital purposes.

## DIRECTORS' CONFIRMATION

The Directors (including the independent non-executive Directors) are of the opinion that the terms of the Zibo Land Resumption Agreement and the Zibo Land Resumption, which have been reached after arm's length negotiation between the parties, are fair and reasonable, on normal commercial terms and in the interests of the Company and the shareholders of the Company as a whole.

## INFORMATION ON THE PARTIES

### *The Company*

The principal activity of the Company is investment holding, and the Group is one of the leading meat product suppliers in the PRC primarily engaging in the slaughtering, production, and sale of chilled and frozen pork and processed meat products with a particular focus on pork products in the PRC.

## *Zibo Yurun*

Zibo Yurun, a company incorporated in the PRC, is an indirect wholly-owned subsidiary of the Company. It is principally engaged in hog slaughtering business in the PRC.

### *The Administrative Committee of Zibo Hi-tech Industry Development Zone*

The Administrative Committee of Zibo Hi-tech Industry Development Zone is a governmental organization in the PRC for managing the Zibo Hi-tech Zone.

## **IMPLICATIONS UNDER THE LISTING RULES**

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Zibo Land Resumption exceed 5%, but all of the applicable percentage ratios are less than 25%, the transaction contemplated under the Zibo Land Resumption Agreement constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

## **DEFINITIONS**

*In this announcement, the following expressions have the following meanings, unless the context requires otherwise:*

“Administrative Committee of Zibo Hi-tech Industry Development Zone”	淄博高新技術產業開發區管理委員會 (Administrative Committee of Zibo Hi-tech Industry Development Zone*), a governmental organization in the PRC for managing the Zibo Hi-tech Zone
“Board”	the board of Directors
“China” or the “PRC”	the People’s Republic of China (except Taiwan, the Hong Kong Special Administrative Region and the Macau Special Administrative Region) for the purpose of this announcement
“Company”	China Yurun Food Group Limited, a company incorporated in Bermuda, the shares of which are listed on the Stock Exchange
“connected person”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong Dollars, the lawful currency of the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	third party(ies) independent of and not connected with the Company and its connected persons
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Properties”	the properties situated on the Zibo Resumed Land as of the date of this announcement, including but not limited to a hog slaughtering factory, staff quarters and canteen which are currently under construction and have not been put into operation and use
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Zibo Hi-tech Zone”	淄博高新技術產業開發區 (Zibo Hi-tech Industry Development Zone*), a national zone in Gaoxin District, Zibo City, Shandong Province, the PRC, designated by the PRC government for technological industrial development
“Zibo Land Resumption”	The resumption of the Zibo Resumed Land and the Properties by the Administrative Committee of Zibo Hi-tech Industry Development Zone pursuant to the terms and conditions of the Zibo Land Resumption Agreement
“Zibo Land Resumption Agreement”	The land resumption agreement entered into between Zibo Yurun and the Administrative Committee of Zibo Hi-tech Industry Development Zone on 30 March 2021 in relation to the Zibo Land Resumption
“Zibo Resumed Land”	the land which is intended to be resumed by the Administrative Committee of Zibo Hi-tech Industry Development Zone pursuant to the Zibo Land Resumption Agreement
“Zibo Yurun”	淄博雨潤食品有限公司 (Zibo Yurun Food Co. Ltd*), a company incorporated in the PRC, an indirect wholly-owned subsidiary of the Company
“%”	per cent

By Order of the Board  
**Zhu Yuan**  
Chairman & CEO

Hong Kong, 30 March 2021

*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 Miao Yelian.*

*For the purpose of this announcement, unless otherwise specified, conversion of RMB into HK\$ is based on the approximate exchange rate of RMB0. 84198 to HK\$1.*

*\* For identification purposes only*