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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)

INSIDE INFORMATION REDUCTION OF NET LOSS

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

Reference is made to the announcements of the Company dated April 30, 2021, May 25, 2021 and May 27, 2021 in relation to the Consolidated Restructuring (the “**Announcements**”). Unless otherwise defined herein, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcements. As disclosed in the Announcements, the Administrator has commenced the restructuring of the 44 Relevant Subsidiaries in accordance with the Enterprise Bankruptcy Law of the People’s Republic of China (企業破產法) under the supervision of the Court.

The board of directors (the “**Board**”) of the Company wishes to inform the shareholders of the Company (the “**Shareholders**”) and potential investors that, according to the information currently available to the Company’s management and the preliminary review of the latest unaudited consolidated management accounts of the Group, the Group expects to record a profit for the six months ended June 30, 2021 as compared to the same period last year.

As disclosed in the Announcements, the 44 Relevant Subsidiaries of the Group had been included in the Consolidated Restructuring with effect from April 30, 2021 as a result of the ruling of the Court, thereafter, the Administrator commenced the taking over of the 44 Relevant Subsidiaries on May 25, 2021, which entitled the Administrator to legal and actual control over the internal and external affairs of the 44 Relevant Subsidiaries. As a result, even though the Administrator has notified the original management personnel of the 44 Relevant Subsidiaries to maintain their

operations and hence the daily operations of the 44 Relevant Subsidiaries are not interrupted by the Takeover, the Company had lost the legal and actual management rights over the 44 Relevant Subsidiaries since then.

In view of this, the accounts of the 44 Relevant Subsidiaries and the 68 Non-Taken-over Subsidiaries would cease to be consolidated to the consolidated financial statements of the Group for the six months ended June 30, 2021 with effect from April 30, 2021. Due to the deconsolidation of the accounts of the 44 Relevant Subsidiaries and the 68 Non-Taken-over Subsidiaries from the consolidated accounts of the Group with effect from April 30, 2021, the Group expects to record a gain of approximately HK\$3.5 billion as a result of deconsolidation of the subsidiaries for the six months ended June 30, 2021. Because of this, it is expected that the Group would record a net profit of approximately HK\$3.3 billion for the six months ended June 30, 2021 (six months ended June 30, 2020: net loss of approximately HK\$405 million).

The Company is still in the process of finalizing the financial statements for the Group for the six months ended June 30, 2021. The information contained in this announcement is only based on a preliminary assessment of the unaudited consolidated management accounts of the Group for such period and information currently available to the Board and is not based on any figures or information which has been audited or reviewed by the independent auditors of the Company nor approved by the audit committee of the Company. Such figures are subject to finalization. In addition, the Company is still in the process of communicating with the Administrator and creditors to understand the formulation of the restructuring plan involving the 44 Relevant Subsidiaries and the Non-Restructuring Subsidiaries. Shareholders and potential investors are advised to exercise caution when using such data to evaluate the Group's financial conditions and results of operations. Further announcement(s) will be made by the Company as and when required under the Listing Rules to update the Shareholders and potential investors with the latest information on the progress of the Consolidated Restructuring, and its impact on the Group's financial position and business operations.

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

By Order of the Board
Zhu Yuan
Chairman

Hong Kong, August 27, 2021

As at the date of this announcement, the executive directors of the Company are Zhu Yuan and Yang Linwei; the independent non-executive directors are Gao Hui, Chen Jianguo and Miao Yelian.

**For identification purposes only*