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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 THEREON

DISPOSAL OF THE SUBJECT LAND AND THE PROPERTIES

On 5 August 2024, Xinjiang Qixing, an indirect non-wholly owned subsidiary of the Company, entered into the Assets Transfer Agreement with Yuncheng Yuanhui, pursuant to which Xinjiang Qixing agreed to sell and Yuncheng Yuanhui agreed to acquire the Subject Land together with the Properties located in Xinjiang county for a total consideration of RMB51 million (equivalent to approximately HK\$55.59 million).

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the disposal exceeds 5% but is less than 25%, the transactions contemplated under the Assets Transfer Agreement constitute a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

BACKGROUND

On 5 August 2024, Xinjiang Qixing, an indirect non-wholly owned subsidiary of the Company, entered into the Assets Transfer Agreement with Yuncheng Yuanhui in relation to the sale and purchase of the Subject Land and the Properties.

THE ASSETS TRANSFER AGREEMENT

The principal terms of the Assets Transfer Agreement are set out as follows:

Date

5 August 2024

Parties

- (1) Xinjiang Qixing, an indirect non-wholly owned subsidiary of the Company, as vendor; and
- (2) Yuncheng Yuanhui, as purchaser.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Yuncheng Yuanhui and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

Subject Matter

Pursuant to the Assets Transfer Agreement, Xinjiang Qixing agreed to sell and Yuncheng Yuanhui agreed to acquire the Subject Land together with the Properties located in Xinjiang county for a total consideration of RMB51 million (equivalent to approximately HK\$55.59 million).

Consideration

The transfer price of the Subject Land together with the Properties was agreed based on arm's length negotiations between the parties with reference to the valuation of the Subject Land and the Properties of approximately RMB51 million (equivalent to approximately HK\$55.59 million) conducted by an independent professional property valuer using the replacement cost approach.

Pursuant to the Assets Transfer Agreement, the consideration shall be payable in cash by Yuncheng Yuanhui in the following manner:

- (1) within 5 working days after signing the Assets Transfer Agreement, the parties shall establish an escrow account under their joint management (the "**Joint Account**") and Yuncheng Yuanhui shall, within 5 working days after the establishment of the Joint Account, transfer an amount of RMB48 million into the Joint Account;
- (2) after the Xinjiang County Real Estate Registration Center formally accepts the application materials for the change of registration of the Subject Land and the Properties submitted by both parties, the parties shall transfer an amount of RMB10 million from the Joint Account to the designated account of Xinjiang Qixing;
- (3) within 5 workings after Yuncheng Yuanhui receives the new real estate certificate for the Subject Land and the Properties, the parties shall transfer an amount of RMB25 million from the Joint Account to the designated account of Xinjiang Qixing;
- (4) within 5 working days after completion of the on-site handover of the Subject Land and the Properties without dispute, the parties shall transfer an amount of RMB13 million from the Joint Account to the designated account of Xinjiang Qixing; and
- (5) the balance of the consideration of RMB3 million will be funded by the subsidy under the local government's fixed investment incentive program, which shall be paid by Yuncheng Yuanhui to Xinjiang Qixing within 5 working days after receiving the same.

REASONS FOR AND BENEFITS OF ENTERING INTO THE ASSETS TRANSFER AGREEMENT

The production activities on the Subject Land and the Properties have been suspended since 2015. The Company considers that the disposal of the Subject Land and the Properties provides a good opportunity for the Group to realise the value of the Subject Land and the Properties at a reasonable price and improve the cash flow of the Group. Also, since the Group has another hog slaughtering plant in Shanxi Province, the PRC, it is expected that the disposal of the Subject Land and the Properties will not cause material disruption to the business operations, financial conditions and future development of the Group.

INFORMATION ON THE SUBJECT LAND AND THE PROPERTIES

As at the date of this announcement, Xinjiang Qixing is the legal and beneficial owner of the Subject Land and the Properties. Particulars of the Subject Land and the Properties are set out below:

Address:	North of Beihuan Road, Xinjiang County, Shanxi Province, the PRC
Site code:	Xinguoyong (2009) No. Chu 021 (新國用(2009)第出021 號)
Total land area:	approximately 102,593.33 square metres
Properties situated on the Subject Land:	Hog slaughtering factory and office building with a total gross floor area of approximately 19,748.1 square metres
Land use:	Industrial

As mentioned above, the Subject Land and the Properties have been idle since 2015. As such, no revenue or profit has been generated from the Subject Land and the Properties for the two years ended 31 December 2023.

With reference to the audited financial information of the Group as at 31 December 2023, the book value of the Subject Land together with the Properties was approximately RMB34 million (equivalent to approximately HK\$38 million, based on the approximate exchange rate of RMB0.9062 to HK\$1 used in the 2023 annual report of the Company).

FINANCIAL EFFECTS OF THE DISPOSAL AND USE OF PROCEEDS

Based on the book value of the Subject Land and the Properties as at the date of the Assets Transfer Agreement with reference to the latest internal financial information of the Group, being approximately RMB34 million (equivalent to approximately HK\$37 million), it is expected that after deducting the estimated transaction costs and related taxes, the Group will recognise a gain from the disposal of the Subject Land and the Properties of approximately RMB14 million (equivalent to approximately HK\$15 million).

The net proceeds (after deducting related expenses and taxes) arising from the disposal of the Subject Land and the Properties will be approximately RMB48 million (equivalent to approximately HK\$52 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 Assets Transfer Agreement, 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 its shareholders 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.

Xinjiang Qixing

Xinjiang Qixing, a company incorporated in the PRC with limited liability, is an indirect non-wholly owned subsidiary of the Company. It is principally engaged in hog slaughtering business in the PRC. As at the date of this announcement, Xinjiang Qixing is held as to 80% by the Company.

Yuncheng Yuanhui

Yuncheng Yuanhui, a company incorporated in the PRC with limited liability, is principally engaged in warehouse and big data related businesses in the PRC. As at the date of this announcement, Yuncheng Yuanhui is wholly owned by YTO Express Co., Ltd. * (圓通速遞有限公司), a company incorporated in the PRC with limited liability.

IMPLICATIONS UNDER THE LISTING RULES

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the disposal exceeds 5% but is less than 25%, the transactions contemplated under the Assets Transfer Agreement constitute 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:

“Assets Transfer Agreement”	the assets transfer agreement entered into between Xinjiang Qixing and Yuncheng Yuanhui on 5 August 2024 in relation to the sale and purchase of the Subject Land and the Properties
“Board”	the board of Directors
“China” or the “PRC”	the People’s Republic of China (except Taiwan, Hong Kong 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 Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Properties”	the properties situated on the Subject Land as of the date of this announcement, comprising a hog slaughtering factory and an office building
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subject Land”	the land located at the north of Beihuan Road, Xinjiang County, Shanxi Province, the PRC
“Xinjiang Qixing”	新絳縣齊興肉類加工有限公司 (Xinjiang County Qixing Meat Processing Co., Ltd*), a company incorporated in the PRC with limited liability and an indirect non-wholly owned subsidiary of the Company
“Yuncheng Yuanhui”	運城圓匯物流有限公司 (Yuncheng Yuanhui Logistics Co., Ltd*), a company incorporated in the PRC with limited liability
“%”	per cent

By Order of the Board
Zhu Yuan
Chairman

Hong Kong, 5 August 2024

As at the date of this announcement, the executive Directors of the Company are Zhu Yuan (Chairman) and Yang Linwei; the independent non-executive Directors are Gao Hui, Chen Jianguo and Xu Xinglian.

For the purpose of this announcement, unless otherwise specified, conversion of RMB into HK\$ is based on the approximate exchange rate of RMB 0.91737 to HK\$1.

** For identification purposes only*