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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2024

The board of directors (the "Board" or the "Directors") of China Yurun Food Group Limited (the "Company" or "Yurun Food") announces the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2024 (the "Review Period"). The interim financial report for the Review Period is unaudited, but has been reviewed by the Company's audit committee.

* *For identification purposes only*

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 June 2024 – unaudited

		Six months ended 30 June	
		2024	2023
	Notes	***HK$'000***	*HK$'000*
Revenue	*3*	**538,975**	769,700
Cost of sales		**(463,472)**	(700,679)
Gross profit		**75,503**	69,021
Other net income	*4*	**1,809**	1,842
Distribution expenses		**(27,686)**	(27,664)
Administrative and other operating expenses		**(38,020)**	(71,141)
Results from operating activities		**11,606**	(27,942)
Finance income		**145**	354
Finance costs		**(24,987)**	(18,280)
Net finance costs	*5(a)*	**(24,842)**	(17,926)
Loss before income tax	*5*	**(13,236)**	(45,868)
Income tax credit	*6*	**45**	6,719
Loss for the period		**(13,191)**	(39,149)
Attributable to:			
Equity holders of the Company		**(10,069)**	(20,197)
Non-controlling interests		**(3,122)**	(18,952)
Loss for the period		**(13,191)**	(39,149)
Loss per share			
Basic	*7(a)*	**HK$(0.006)**	HK$(0.011)
Diluted	*7(b)*	**HK$(0.006)**	HK$(0.011)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 June 2024 – unaudited

		Six months ended 30 June	
		2024	2023
	Notes	***HK$'000***	*HK$'000*
Loss for the period		**(13,191)**	(39,149)
Other comprehensive income for the period (after tax and reclassification adjustments)			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences for foreign operations		**(34,929)**	32,808
Total comprehensive income for the period		**(48,120)**	(6,341)
Attributable to:			
Equity holders of the Company		**(32,098)**	2,531
Non-controlling interests		**(16,022)**	(8,872)
Total comprehensive income for the period		**(48,120)**	(6,341)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2024 – unaudited

	Notes	30 June 2024 HK$'000	31 December 2023 HK$'000
Non-current assets			
Property, plant and equipment	8	**314,932**	326,449
Lease prepayments		**44,302**	45,618
Intangible assets		**3,101**	–
Non-current prepayments and other receivables		**1,748**	1,758
		364,083	373,825
Current assets			
Inventories		**116,789**	146,006
Trade and other receivables	9	**445,303**	452,756
Income tax recoverable		**68**	66
Cash and cash equivalents		**31,666**	39,298
		593,826	638,126
Current liabilities			
Bank borrowings		**443,019**	446,196
Lease liabilities		**887**	869
Trade and other payables	10	**1,168,548**	1,170,268
Income tax payable		**33**	34
		1,612,487	1,617,367
Net current liabilities		**(1,018,661)**	(979,241)
Total assets less current liabilities		**(654,578)**	(605,416)
Non-current liabilities			
Bank borrowings		**21,872**	22,029
Lease liabilities		**61,049**	61,934
		82,921	83,963
NET LIABILITIES		**(737,499)**	(689,379)
EQUITY			
Share capital		**182,276**	182,276
Reserves		**(909,343)**	(877,245)
Total equity attributable to equity holders of the Company		**(727,067)**	(694,969)
Non-controlling interests		**(10,432)**	5,590
TOTAL EQUITY		**(737,499)**	(689,379)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended 30 June 2024 – unaudited

	Six months ended 30 June	
	2024	2023
	HK$'000	*HK$'000*
Cash used in operating activities	**(22)**	(11,082)
Finance costs paid	**(56)**	(33)
Income tax refunded	**45**	3,729
Net cash used in operating activities	**(33)**	(7,386)
Net cash used in investing activities	**(5,882)**	(5,035)
Net cash used in financing activities	**(1,469)**	(2,323)
Net decrease in cash and cash equivalents	**(7,384)**	(14,744)
Cash and cash equivalents at 1 January	**39,298**	33,210
Effect of exchange rate fluctuations on cash held	**(248)**	7,853
Cash and cash equivalents at 30 June	**31,666**	26,319

NOTES:

1 BASIS OF PREPARATION

The interim financial report of the Group has been prepared in accordance with International Accounting Standard 34 ("IAS 34"), *Interim Financial Reporting*, issued by the International Accounting Standards Board ("IASB") as well as with the applicable disclosure requirements of Appendix D2 to the Rules Governing the Listing of Securities on the Stock Exchange.

The interim financial report should be read in conjunction with the annual financial statements for the year ended 31 December 2023 (the "2023 annual financial statements"), which have been prepared in accordance with International Financial Reporting Standards as issued by IASB ("IFRS Accounting Standards"). Except as described in note 2, the interim financial report has been prepared in accordance with the same accounting policies adopted in the 2023 annual financial statements.

The Group incurred a net loss of HK$13,191,000 for the six months ended 30 June 2024 and as at 30 June 2024, the Group had net current liabilities and net liabilities of HK$1,018,661,000 and HK$737,499,000 respectively. At 30 June 2024, the Group's bank borrowings amounted to HK$464,891,000, while its cash and cash equivalents amounted to HK$31,666,000 only.

As at 30 June 2024, certain bank borrowings amounted to HK$433,956,000 together with the accrued interest of HK$284,599,000 (included in trade and other payables (note 10)) were overdue. In addition, the Group could not fulfil certain bank covenants relating to the abovementioned bank borrowings of HK$433,956,000 and the banks have commenced litigations against the Group to settle the outstanding balances.

These events or conditions may cast significant doubt about the Group's ability to continue as a going concern and it may not have sufficient financial resources to finance the Group's operations to meet its financial obligations as and when they fall due.

The management have taken the following plans and measures to mitigate the liquidity pressure and to improve its financial position:

(i) Actively negotiating with banks 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 consolidated restructuring; and

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

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

However, the validity of the going concern assumption depends upon the successful outcome of the Group's plans and measures, including (i) the successful negotiation with banks 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 successful outcome on conclusive settlement of the bank borrowings as part of the consolidated restructuring as disclosed in note 5(a); and (iii) the successful negotiation with banks to obtain additional new financing and other source of funding as and when required. These indicate the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern, and therefore that the Group may not be able to realise its assets and discharges its liabilities in the normal course of business.

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

2 CHANGES IN ACCOUNTING POLICIES

The IASB has issued a number of new or revised IFRS Accounting Standards that are first effective for the current accounting period of the Group. Of these, the followings are relevant to the Group.

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

The application of the new or amended IFRS Accounting Standards did not have any significant impact on the Group's accounting policies.

3 REVENUE AND SEGMENT INFORMATION

(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 six months ended 30 June 2024 and 2023 is set out below:

	Chilled and frozen meat Six months ended 30 June		Processed meat products Six months ended 30 June		Total Six months ended 30 June	
	2024	2023	**2024**	2023	**2024**	2023
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
External revenue	**312,426**	537,989	**226,549**	231,711	**538,975**	769,700
Inter-segment revenue	**–**	11,218	**–**	–	**–**	11,218
Reportable segment revenue	**312,426**	549,207	**226,549**	231,711	**538,975**	780,918
Reportable segment results	**(22,510)**	(57,959)	**40,189**	33,767	**17,679**	(24,192)
Depreciation and amortisation	**(10,497)**	(11,264)	**(4,706)**	(6,357)	**(15,203)**	(17,621)
Gain on disposal of property, plant and equipment	**1,628**	223	**403**	288	**2,031**	511
Impairment losses on trade receivables	**(3,191)**	–	**(2,054)**	(4,435)	**(5,245)**	(4,435)
Impairment losses on property, plant and equipment and lease prepayments	**–**	(35,582)	**–**	–	**–**	(35,582)
Government subsidies	**261**	534	**207**	774	**468**	1,308
Income tax credit	**–**	–	**45**	6,719	**45**	6,719

Segment assets and liabilities of the Group are not reported to the Group's most senior executive management regularly. As a result, reportable segment assets and liabilities have not been presented in the interim financial report.

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

	Six months ended 30 June	
	2024	2023
	HK$'000	*HK$'000*
Revenue		
Total revenue from reportable segments	**538,975**	780,918
Elimination of inter-segment revenue	**–**	(11,218)
Consolidated revenue	**538,975**	769,700
(Loss)/profit		
Total reportable segment results before income tax	**17,679**	(24,192)
Elimination of inter-segment loss	**–**	2,835
	17,679	(21,357)
Net finance costs	**(24,842)**	(17,926)
Income tax credit	**45**	6,719
Unallocated head office and corporate expenses	**(6,073)**	(6,585)
Consolidated loss for the period	**(13,191)**	(39,149)

4 OTHER NET INCOME

	Six months ended 30 June	
	2024	2023
	HK$'000	*HK$'000*
Government subsidies	**468**	1,308
Provision for losses on litigations *(Note)*	**–**	(229)
Gain on disposal of property, plant and equipment	**2,031**	511
Rental income	**56**	38
Sales of scrap	**235**	262
Sundry expense	**(981)**	(48)
	1,809	1,842

Note:

During the six months ended 30 June 2023, except for the litigations commenced by certain banks against a subsidiary of the Group as disclosed in note 5(a), included in provision for losses on litigations was litigation initiated by a commercial competitor in the People's Public of China ("PRC") claiming against a subsidiary of the Group in view of the economic losses due to patent of approximately HK$229,000.

5 LOSS BEFORE INCOME TAX

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

(a) Net finance costs

	Six months ended 30 June	
	2024	2023
	HK$'000	*HK$'000*
Interest on bank borrowings	**23,836**	17,178
Interest on lease liabilities	**1,038**	1,069
	24,874	18,247
Bank charges	**56**	33
Net foreign exchange loss/(gain)	**57**	(76)
Interest income from bank deposits	**(145)**	(278)
	24,842	17,926

As at 30 June 2024, the Group could not fulfil certain covenants imposed by the bank on certain bank borrowings of HK$433,956,000 (31 December 2023: HK$437,069,000). All of these bank borrowings and the accrued interest of HK$284,599,000 (31 December 2023: HK$263,326,000) were overdue. As at 30 June 2024, certain bank borrowings were secured by trade receivables of HK$13,378,000 (31 December 2023: HK$12,723,000) and guaranteed by certain companies within the restructuring companies.

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

At 30 June 2024, there were outstanding litigations commenced by the banks in the PRC against a subsidiary of the Group requesting such subsidiary to repay the outstanding bank borrowings of HK$433,956,000 (31 December 2023: HK$437,096,000) or to secure the repayment with assets of equivalent amounts immediately.

Among these, the courts in the PRC handed down the judgements in related to certain outstanding bank borrowings of HK$327,697,000 during the year ended 31 December 2023 and up to date of approval of 2023 consolidated financial statements. As at 30 June 2024, the subsidiary shall repay those ruling outstanding bank borrowings together with accrued interest of HK$523,021,000 (31 December 2023: HK$506,208,000) in total. These bank borrowings were secured by corporate guarantees provided by certain restructuring companies and fall into the restructuring plan as mentioned above. The Group is negotiating with the banks to settle these outstanding bank borrowings.

(b) Personnel expenses

	Six months ended 30 June	
	2024	2023
	HK$'000	*HK$'000*
Salaries, wages and other benefits	**32,421**	47,297
Contributions to defined contribution pension schemes	**2,276**	3,319
	34,697	50,616

(c) Other items

	Six months ended 30 June	
	2024	2023
	HK$'000	*HK$'000*
Cost of inventories[#]	**463,472**	700,679
Write-down/(reversal of write-down) of inventories	**484**	(947)
Impairment losses on trade receivables	**5,245**	4,435
Impairment losses on property, plant and equipment and lease prepayments	**–**	35,582
Amortisation of lease prepayments	**995**	780
Amortisation of intangible assets	**–**	469
Depreciation of property, plant and equipment	**14,208**	16,372

[#] Cost of inventories includes approximately HK$17,311,000 (six months ended 30 June 2023: HK$30,990,000) relating to personnel expenses, which the amount is also included in the above note 5(b).

6 INCOME TAX CREDIT

	Six months ended 30 June	
	2024	2023
	HK$'000	*HK$'000*
Current tax credit		
Current year	**–**	–
Over-provision in respect of prior year	**(45)**	(6,719)
Total income tax credit	**(45)**	(6,719)

(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 for the six months ended 30 June 2024 and 2023.

(c) Pursuant to the income tax rules and regulations of the PRC, the companies comprising the Group in the PRC are liable to PRC corporate income tax at a rate of 25% during the six months ended 30 June 2024 and 2023, except for the enterprises engaged in the primary processing of agricultural products which are exempted from PRC corporate income tax. As a result, the profits from slaughtering operations are exempted from PRC corporate income tax for the six months ended 30 June 2024 and 2023.

(d) 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 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.

7 LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to equity holders of the Company of HK$10,069,000 (six months ended 30 June 2023: HK$20,197,000) and the weighted average number of ordinary shares of 1,822,756,000 (six months ended 30 June 2023: 1,822,756,000).

(b) Diluted loss per share

Diluted loss per share equals to basic loss per share for the six months ended 30 June 2024 and 2023 because all potential ordinary shares outstanding were anti-dilutive.

8. PROPERTY, PLANT AND EQUIPMENT

As at 30 June 2024, the Group assessed the recoverable amounts of certain assets which management considers are likely to be recoverable through continuing use, the Group assessed the recoverable amount of each cash-generating unit ("CGU") to which these assets belong based on value-in-use calculations. These calculations use cash flow projections based on financial forecasts approved by management covering a five-year period. Management determined the budgeted gross profit margin and growth rate based on past performance and its expectation for market development. The discount rate used is pre-tax and reflects specific risks relating to the relevant CGU.

During the six months ended 30 June 2024, no impairment loss (six months ended 30 June 2023: impairment losses of HK$32,422,000 and HK$3,160,000 respectively) in respect of property, plant and equipment and lease prepayments was recognised as the recoverable amounts of the CGUs is higher than its carrying amounts. The audit committee of the Company has no disagreement with the management on the above position and the basis of the review on the impairment assessment.

9 TRADE AND OTHER RECEIVABLES

An ageing analysis of trade receivables (net of expected credit losses) of the Group based on invoice date and a breakdown of trade and other receivables as at the end of the reporting period are analysed as follows:

	30 June 2024	31 December 2023
	HK$'000	*HK$'000*
Trade receivables		
– Within 30 days	**123,565**	106,114
– 31 days to 90 days	**40,983**	31
– 91 days to 180 days	**10,389**	10,032
– Over 180 days	**5,423**	5,077
	180,360	121,254
Less: Expected credit losses	**(20,878)**	(12,571)
Total trade receivables, net	**159,482**	108,683
Value-added tax ("VAT") recoverable	**101,921**	100,282
Deposits and prepayments	**169,888**	180,922
Other receivables	**14,012**	62,869
	445,303	452,756

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

10 TRADE AND OTHER PAYABLES

An ageing analysis of trade payables based on invoice date and a breakdown of trade and other payables (including amounts due to related parties) as at the end of the reporting period are analysed as follows:

	30 June 2024 *HK$'000*	31 December 2023 *HK$'000*
Trade Payables		
– Within 30 days	**42,022**	64,900
– 31 days to 90 days	**10,092**	57,651
– 91 days to 180 days	**9,682**	7,197
– Over 180 days	**35,395**	41,869
Total trade payables	**97,191**	171,617
Deposits from customers	**20,563**	20,038
Contract liabilities	**28,587**	28,906
Salary and welfare payables	**9,055**	12,024
VAT payable	**65,019**	66,331
Payables for acquisitions of property, plant and equipment	**27,626**	30,081
Provision for losses on litigations	**64,222**	64,682
Interest payables	**285,186**	263,326
Other payables and accruals	**571,099**	513,263
	1,168,548	1,170,268

11 DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2024 and 2023.

12 CONTINGENT LIABILITIES

As at the end of the reporting period, except as disclosed in note 5(a), the Group did not involve 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 30 June 2024, the Group was the defendant of certain non-material litigations, and also a party to certain litigations arising from the ordinary course of business of the Group. The likely outcome of these contingent liabilities, litigations or other legal proceedings cannot be ascertained with reasonable certainty at present, but the management of the Group believes that any possible legal liability which may be incurred from the aforesaid cases will not have any material impact on the financial position or results of the Group.

13 SUBSEQUENT EVENTS

On 5 August 2024, Xinjiang County Qixing Meat Processing Co., Ltd ("Xinjiang Qixing"), an indirect non-wholly owned subsidiary of the Company, entered into the assets transfer agreement with Yuncheng Yuanhui Logistics Co., Ltd ("Yuncheng Yuanhui"), pursuant to which Xinjiang Qixing agreed to sell and Yuncheng Yuanhui agreed to acquire the land together with the properties located in Xinjiang county, the PRC for a total consideration of Renminbi ("RMB") 51,000,000 (approximately HK$55,590,000).

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the Review Period (first half of 2023: HK$Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Overview

In the first half of 2024, the uncertainty in the external environment increased significantly, and the ongoing structural adjustments in the domestic economy of China posted new challenges. Although the overall Chinese economy maintained stable operation, the issue of insufficient effective demand remained prominent. According to the preliminary calculations by the National Bureau of Statistics of China, China's gross domestic product (GDP) reached Renminbi ("RMB") 61,683.6 billion in the first half of 2024, representing a year-on-year growth of 5.0%. However, the slowing growth in consumption resulted in a modest increase of only 0.1% in the national consumer price index (CPI) year-on-year.

In the same period, the hog farming industry experienced divergent trends in capacity adjustments. Data shows that the number of hogs slaughtered decreased by 3.1% year-on-year to 363.95 million heads, with pork production down by 1.7%. As of 30 June 2024, the stock of hogs was 415.33 million heads, down 4.6% year-on-year. In the long term, factors such as ageing population and the upgrades in consumer preferences are expected to lead to a decline in pork consumption. According to the "China Agricultural Outlook Report (2024-2033)" released by the Ministry of Agriculture and Rural Affairs of the People's Republic of China (the "PRC"), the total pork consumption in China is expected to see a slight decrease over the next decade, although pork will still account for over 50% of the country's total meat consumption. Moreover, there will be a shift of the consumer focus from quantity to quality, with a growing demand for safe, healthy, nutritious, and premium meat products. Consequently, the slaughtering and meat processing industries will need to innovate and upgrade continuously to meet market demand and achieve sustainable development.

In the first half of 2024, the supply-demand balance in hog market gradually improved as production capacity significantly decreased, easing supply pressures and leading to a rise in pork prices. According to the statistics published by the Ministry of Agricultural and Rural Affairs, the national average price of live hogs increased from RMB14.63/kg at the beginning of the year to RMB18.36/kg in June, with an average of RMB15.66/kg in the first half of the year, up 3.6% year-on-year. The national average retail price of pork was RMB25.60/kg, down 1.7% year-on-year, which had a positive impact on the Group's downstream business.

Business Review

During the six months ended 30 June 2024 (the "Review Period"), China Yurun Food Group Limited ("Yurun Food" or the "Company") and its subsidiaries (collectively referred to as "the Group") primarily conducted its business through the "Haroulian" ("HRL") brand series, continuously strengthening new product development and diversifying product offerings to meet the personalised, diversified, and quality-oriented consumption needs of consumers. At the same time, efforts were made to enhance marketing and promotion, boosting consumer recognition and affinity for the brand.

Product Quality and Research & Development

The Group consistently prioritises product quality and safety, strictly adhering to the relevant national food safety laws, regulations, and standards. It has established an internal control system for product quality and food safety across all aspects of operations, including raw material procurement, production and additive usage, storage, transportation, and maintenance. These measures ensure consistent product quality. Additionally, the Group has intensified research and development efforts in processing technology and packaging materials to infuse technological strength into product quality. The Group's excellent product quality has established a strong brand reputation, earning consumer trust and recognition.

Looking ahead, the Group will continue to strive in building its quality management system. On the foundation of strict compliance with national quality standards, the Group will increase investment in product research and development, and enhance quality control capabilities to further improve product quality.

Sales and Distribution

During the Review Period, high value-added products, such as chilled pork and low-temperature meat products ("LTMP") continued to be the main support for the Group's business development. In the first half of 2024, the Group's sales of chilled pork reached HK$270 million (first half of 2023: HK$443 million), down 39.0% year-on-year, accounting for approximately 50% (first half of 2023: 57%) of the total revenue of the Group before inter-segment eliminations and approximately 86% (first half of 2023: 81%) of the total revenue of the upstream slaughtering segment. Sales of LTMP was HK$154 million (first half of 2023: HK$140 million), up 9.5% year-on-year, accounting for approximately 28% (first half of 2023: 18%) of the total revenue of the Group before inter-segment eliminations and approximately 68% (first half of 2023: 61%) of the total revenue of the downstream processed meat segment.

Production Facilities and Production Capacity

As of 30 June 2024, the annual production capacity of the Group's upstream slaughtering segment and downstream processed meat segment was approximately 3.35 million heads and 56,000 tons, respectively, which was in line with the annual production capacity as of 31 December 2023.

Financial Review and Key Performance Indicators

The Group recorded revenue of HK$539 million for the first half of 2024 (first half of 2023: HK$770 million). During the Review Period, the loss attributable to equity holders was approximately HK$10 million (first half of 2023: HK$20 million). Basic and diluted loss per share was HK$0.006 (first half of 2023: HK$0.011).

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

REVENUE

Chilled and Frozen Pork

During the Review Period, in response to the overall decline in pork consumption, the Group strategically reduced production at certain less profitable facilities, thereby increasing profitability efficiency. As a result, the slaughtering volume decreased by approximately 50.1% year-on-year to approximately 149,000 heads, leading to a 43.1% year-on-year decline in the Group's overall revenue from upstream business before the inter-segment eliminations to HK$312 million (first half of 2023: HK$549 million). Chilled pork accounted for approximately 50% (first half of 2023: 57%) of the Group's total revenue before inter-segment eliminations and approximately 86% (first half of 2023: 81%) of the upstream business total revenue, reaching HK$270 million (first half of 2023: HK$443 million), down 39.0% year-on-year. Frozen pork accounted for approximately 14% (first half of 2023: 19%) of the total revenue of the upstream business, with sales of HK$42 million (first half of 2023: HK$106 million), representing a decrease of 60.3% over the same period last year.

Processed Meat Products

During the Review Period, sales of processed meat products of the Group before inter-segment eliminations was HK$227 million (first half of 2023: HK$232 million), representing a decrease of approximately 2.2% over the same period last year.

Among these, revenue from LTMP reached HK$154 million (first half of 2023: HK$140 million), up approximately 9.5% year-on-year, accounting for approximately 28% of the total revenue of the Group before inter-segment eliminations (first half of 2023: 18%). LTMP remained to be the key revenue drivers of the processed meat business, accounting for approximately 68% of the total revenue of the processed meat segment (first half of 2023: 61%). Revenue from high-temperature meat products ("HTMP") was HK$73 million (first half of 2023: HK$92 million), accounting for approximately 14% of the Group's total revenue before inter-segment eliminations (first half of 2023: 12%) and approximately 32% of the total revenue of the processed meat segment (first half of 2023: 39%), respectively.

Gross Profit and Gross Profit Margin

During the Review Period, the Group focused on the business of the "HRL" brand series which had a higher gross profit margin, helped raise the overall gross profit margin from 9.0% in the same period last year to 14.0%, a 5.0 percentage points increase. The Group's total gross profit was HK$76 million (first half of 2023: HK$69 million), up approximately 9.4% year-on-year.

In respect of the upstream business, the gross profit margin for chilled pork and frozen pork was 2.2% and –3.6%, respectively (first half of 2023: 1.0% and 1.1% respectively). The overall gross profit margin for upstream segment was 1.4%, a slight increase of 0.3 percentage point from 1.1% in the same period last year.

For downstream processed meat products, the Group continued to optimise its product structure, focusing on high-margin products. Coupled with a decline in the cost of major raw materials, the gross profit margin for LTMP rose 5.2 percentage points from 32.0% in the same period last year to 37.2%. The gross profit margin for HTMP increased by 2.8 percentage points from 16.3% in the same period last year to 19.1%. The overall gross profit margin for downstream operations was 31.4%, a significant increase of 5.6 percentage points from 25.8% in the same period last year.

Other Net Income

During the Review Period, the Group recorded other net income of approximately HK$2 million (first half of 2023: HK$2 million). It was mainly attributable to the gain on disposal of non-current assets and government subsidies.

Operating Expenses

Operating expenses consist of distribution expenses and administrative and other operating expenses. During the Review Period, operating expenses of the Group were HK$66 million (first half of 2023: HK$99 million), a decrease of 33.5% compared to the same period last year. The reduction includes an impairment loss on non-current assets of approximately HK$36 million in first half of 2023. Operating expenses during the Review Period were similar to those for the same period last year after deduction of impairment loss, accounting for 12.2% of the Group's revenue (after deduction of impairment loss for the first half of 2023: 8.2%).

Results from Operating Activities

During the Review Period, the Group recorded an operating profit of approximately HK$12 million (first half of 2023: operating loss of approximately HK$28 million).

Net Finance Costs

During the Review Period, the net finance costs of the Group were approximately HK$25 million, compared to HK$18 million in the same period last year, representing an increase of 38.6%. The rise in net finance costs was primarily due to an increase in additional provision for penalty interest, following a judgment issued by a court at the end of 2023.

Income Tax

During the Review Period, the income tax credit was approximately HK$0.05 million (first half of 2023: credit of approximately HK$7 million).

Loss Attributable to the Equity Holders of the Company

As a result of the factors mentioned above, the loss attributable to the equity holders of the Company during the Review Period was approximately HK$10 million (first half of 2023: approximately HK$20 million).

FINANCIAL RESOURCES

As at 30 June 2024, the Group's cash and cash equivalents amounted to approximately HK$32 million, a decrease of approximately HK$7 million from HK$39 million as at 31 December 2023. Of this, approximately 92% (31 December 2023: 94%) was denominated in RMB, and approximately 5% (31 December 2023: 2%) was denominated in US Dollars ("USD"), with the remainder in other currencies.

As at 30 June 2024, the Group's outstanding bank borrowings amounted to HK$465 million, a decrease of HK$3 million from HK$468 million as at 31 December 2023, of which HK$443 million is due within one year. For details regarding the Group's breach of loan agreements, please refer to the paragraph headed "Breach of Borrowings Agreements" below.

All borrowings were denominated in RMB, which was the same as the borrowings as of 31 December 2023. As at 30 June 2024, the Group's fixed-rate debt ratio was 75.0% (31 December 2023: 75.0%).

During the Review Period, the net cash outflow of the Group was primarily due to payment for construction projects that are already in progress and technological upgrades for assets.

During the Review Period, the capital expenditure was approximately HK$10 million (30 June 2023: HK$6 million).

BREACH OF BORROWINGS AGREEMENTS

As at 30 June 2024, the Group was unable to meet certain covenants on bank borrowings totaling HK$434 million (31 December 2023: HK$437 million). These bank borrowings, along with the accrued interests of HK$285 million (31 December 2023: HK$263 million), were overdue.

The above bank borrowings are secured by certain companies within the restructuring companies, and these debts have been included as part of the consolidated restructuring described in the 2021 and 2022 financial reports of the Company. As disclosed in the announcement of the Company dated 30 January 2022, the restructuring plan was approved and adjudicated effective by the Court in the PRC (the "Court") on 28 January 2022, together with the Court's ruling that the banks can realise their rights as creditors to convert the debts owed to them to equity interests in the new platform. If the rights have been confirmed by the Court, but the banks do not realise their rights as creditors to receive the debts repayments and/or to convert the debts owed to them to equity interests in the new platform pursuant to the restructuring plan, the administrator shall deposit the debts repayments allocated to those creditors to the administrator's bank account or its designated bank account, or shall hold such equity interests allocated to those creditors in the new platform on their behalf by a designated company. Within three years commencing from the date of completion of the restructuring plan, the creditors may still receive the debts repayments and/or the equity interests in the new platform allocated to them upon realising their rights. If the creditors fail to realise their rights as creditors to receive the debts repayments and/or convert the debts owed to them to equity interests in the new platform within the prescribed time frame due to their own inaction, their rights under the restructuring plan are deemed to have been forgone. If the banks do not realise their rights as creditors by converting the debts owed to them to equity interests in the new platform, the bank borrowings would not be extinguished automatically and the relevant legal proceedings would not be discharged automatically. The banks may continue to seek recourse against the borrower, i.e. a subsidiary of the Group in accordance with the respective loan agreements.

Subsequent to 30 June 2024 and up to the date of this announcement, the aforesaid bank borrowings have not been renewed.

The Group has maintained close communication with relevant banks (including two State-owned and national commercial banks in China), to negotiate extension, renewals, and/or amendments to the term of the outstanding bank borrowings. During this process, we have understood that the banks do not intend to take extreme actions against the Group. All parties hope that the Group can maintain normal operations. Therefore, the Board believes that the risk of immediate repayment is low, and this situation is not expected to have a material adverse impact on the Group's business operations.

ASSETS AND LIABILITIES

As at 30 June 2024, the total assets of the Group were HK$958 million (31 December 2023: HK$1.012 billion), a decrease of HK$54 million as compared with that as at 31 December 2023. Its total liabilities as at 30 June 2024 were HK$1.695 billion, a decrease of HK$6 million as compared to HK$1.701 billion as at 31 December 2023.

As at 30 June 2024, the property, plant, and equipment of the Group amounted to HK$315 million (31 December 2023: HK$326 million), a decrease of HK$11 million as compared to 31 December 2023. The decrease was mainly due to depreciation during the Review Period.

As at 30 June 2024, the lease prepayments of the Group amounted to HK$44 million (31 December 2023: HK$46 million). This represented the purchase cost of land use rights of the Group which was amortised on a straight-line basis over the respective period of the rights. The decrease was mainly due to the amortisation during the Review Period.

Despite the net liabilities position as at 30 June 2024, the Group had non-current assets of approximately HK$364 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. The Directors believe that with an improving economic environment and continued efforts by the management to enhance operating profit and reduce borrowing pressure, the Group is confident in returning to a net assets position.

As at 30 June 2024, the net current liabilities and net liabilities of the Group were HK$1.019 billion and HK$737 million, respectively. Its bank borrowings amounted to HK$465 million, while the cash and cash equivalents amounted to approximately HK$32 million. Additionally, the Group was unable to fulfil certain covenants on bank borrowings and was facing litigations from the banks. These circumstances may raise significant concerns about the Group's ability to continue as a going concern.

As mentioned above, despite the Group' s failure to meet certain contractual terms of bank borrowings and some subsidiaries of the Group are facing multiples litigations, the Group has been actively communicating with the banks to discuss renewals, waivers of repayable-on-demand clause, and breaches of certain undertaking and restrictive covenant. The Group is also working to persuade the banks to assert their rights as creditors within the specified time frame outlined in the consolidated restructuring plan. Given the overall progress of these negotiations, we believe the outlook is relatively positive. Therefore, the Directors believe that the Group has sufficient financial resources to support its operations and fulfilled its financial obligations as and when they fall due within the next twelve months from the end of the Review Period.

Given that the equity attributable to equity holders of the Company was a loss of approximately HK$727 million, it is not appropriate to calculate the gearing level as at 30 June 2024.

CHARGES ON ASSETS

As at 30 June 2024, certain trade receivables of the Group with a carrying amount of approximately HK$13 million (31 December 2023: HK$13 million) were pledged against certain bank borrowings with a total amount of approximately HK$31 million (31 December 2023: HK$31 million).

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

During the Review Period, the Group did not hold any other significant investment nor have any substantial acquisition and disposal of subsidiaries. As at the date of this announcement, the Group has no plan to make any significant investment in or acquisition of capital assets.

CONTINGENT LIABILITIES

As at 30 June 2024, certain banks in the PRC filed lawsuits against a subsidiary of the Group, demanding immediate repayment of the outstanding bank borrowings of approximately HK$434 million (31 December 2023: HK$437 million). The Group is currently negotiating with the relevant banks to settle these litigations. Save as disclosed above, the Group has not been involved in any other material litigation or proceedings and does not have any other material contingent liabilities.

The Group will publish further announcements in accordance with the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") regarding the above developments, as and when required.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

Apart from the purchases of certain equipment and materials and payment of certain professional fees in USD, Euros, or Hong Kong dollars, the Group's transactions are primarily 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 monitors foreign exchange risks by considering various factors, including but not limited to, exchange rate trends and the Group's cash flow requirements, to ensure that risks remain within acceptable levels.

HUMAN RESOURCES

As at 30 June 2024, the Group had approximately 800 (31 December 2023: approximately 1,000) employees in the PRC and Hong Kong. During the Review Period, the total staff cost was HK$35 million, accounting for 6.4% of the revenue of the Group (first half of 2023: HK$51 million, accounting for 6.6% of revenue).

Employees are the key to achieving sustainable development for the enterprise. The Group is committed to legally protecting employees' rights, emphasising employee development, and offering competitive salaries, performance-based cash rewards and other incentives, as well as social security schemes, such as retirement benefits scheme in line with market standards and industry norms. The Group continuously improves its employee training programs to support professional growth and enhance their market competitiveness. Furthermore, the Group also provides clear career advancement paths, fostering a strong sense of belonging among employees.

ENVIRONMENTAL POLICIES AND PERFORMANCE

As awareness of environmental protection continues to grow, sustainable development has become a global consensus. How a company balances economic development with environmental protection and social responsibility is not only an important measure of its overall strength but has also become a core component of its competitiveness. As a company that places high importance on sustainable development, the Group actively fulfils its corporate social responsibilities by integrating green and low-carbon concepts into corporate governance and business operations, promoting energy conservation, emission reduction, and a circular economy to contribute to sustainable economic and environmental development.

During the Review Period, the Group adopted green production methods through energy conservation, recycling, and green packaging initiatives to promote energy savings and emission reductions. The Group also continued to implement green office practices to drive sustainable business development. Looking ahead, the Group will further deepen its commitment to green development, exploring greener and more low-carbon development paths to contribute to the achievement of national carbon peak and carbon neutrality goals.

CORPORATE GOVERNANCE

The Company adheres to corporate governance principles of integrity, transparency, openness and efficiency. It has strived to strictly observe and follow stringent corporate governance practice at all times through a comprehensive corporate governance structure and measures, so as to achieve a high standard of corporate governance and enhance shareholders' value.

The Board currently comprises five Directors. To facilitate effective management, the Board has delegated certain functions to various Board committees, including the audit committee, the remuneration committee and the nomination committee. The Company has formulated specific terms of reference of each committee, covering its authority, responsibilities and functions. The major responsibilities of the Board and its committees include supervising the implementation of corporate governance, monitoring and advising the management in respect of financial and business strategy and targets, monitoring public disclosures, as well as assessing whether the performances of the management are in line with the Company's operating objectives.

The Company has also established risk management and internal control systems to ensure that the Company's assets are under protection, operating and governance measures are in place, business risks are properly managed and accounting records and financial statements are properly kept and maintained. The audit committee of the Company is responsible for reviewing the effectiveness of the Group's risk management and internal control systems with the assistance of the Group's internal audit department.

The Company maintains a highly transparent governance mechanism by publishing information to shareholders and investors in a timely manner. We use several communication channels to ensure that the Company's shareholders are provided with ready, equal and timely access to information about the Company.

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix C3 to the Listing Rules as the Company's code of conduct and rules governing dealings by all Directors in the securities of the Company. The Company, having made specific enquiries with all Directors, confirms that the Directors have complied with the required standards set out in the Model Code throughout the Review Period.

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 Period.

AUDIT COMMITTEE

The audit committee of the Company has reviewed, with the management, the accounting principles and practices adopted by the Group and has discussed internal controls, risk management and financial reporting matters, including the review of the unaudited interim results of the Group for the Review Period.

SUBSEQUENT EVENTS AND ADDITIONAL INFORMATION REGARDING THE DISPOSAL OF LAND AND PROPERTIES THEREON

As disclosed in the Company's announcement dated 5 August 2024, 新絳縣齊興肉類加工有限公司(Xinjiang County Qixing Meat Processing Co., Ltd*) ("Xinjiang Qixing"), an indirect non-wholly owned subsidiary of the Company, entered into an assets transfer agreement with 運城圓匯物流有限公司 (Yuncheng Yuanhui Logistics Co., Ltd*) (the "Yuncheng Yuanhui"), pursuant to which Xinjiang Qixing agreed to sell and Yuncheng Yuanhui agreed to acquire the land located at the north of Beihuan Road, Xinjiang County, Shanxi Province, the PRC (the "Subject Land") together with the properties thereon (the "Properties") for a total consideration of RMB51 million (the "Disposal"). To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, and based on the results of online searches to the extent reasonably practicable, 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 and a subsidiary of YTO Express Group Co., Ltd. (圓通速遞股份有限公司), a company incorporated in the PRC with limited liability and the shares of which are listed on the Shanghai Stock Exchange (SSE: 600233).

The consideration for the Disposal was determined based on the valuation of the Subject Land and the Properties of approximately RMB51 million as at 30 April 2024 (the "Valuation Benchmark Date") conducted by 河南求實資產評估有限公司 (Henan Qiushi Asset Appraisal Co., Ltd.*), an independent professional property valuer, using the replacement cost approach and in accordance with the Standards for the Appraisal of Assets of the PRC. The cost approach is a valuation approach which estimates the value of an asset or a business by calculating its gross current replacement cost (including construction and installation costs, initial and other expenses) and subtracting the estimated depreciation (taking into account of the comprehensive residue ratio and term correction coefficient) to reflect its physical deterioration and other forms of obsolescence.

The key assumptions adopted in the valuation were standard assumptions for similar transactions in the market, including but not limited to:

1. there were no material changes in the political, economic and social environment of the PRC, and the macroeconomic policy, industry policy or regional development policy of the PRC, after the valuation benchmark date;

2. there were no material changes in the interest rate, exchange rate, tax rate, etc. after the valuation benchmark date; and

3. the appraised assets are used in accordance with the original use.

The Disposal constituted a discloseable transaction of the Company under Chapter 14 of the Listing Rules and was completed on 5 August 2024.

Save as disclosed above, there was no other significant event occurred subsequent to 30 June 2024 and up to the date of this announcement.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

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 2024 interim report of the Company containing all the information required by Appendix D2 to the Listing Rules, as applicable, 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, 21 August 2024

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