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 2015

SUMMARY OF RESULTS

The board of directors (the "Board") 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 2015 (the "Review Year") together with the comparative figures of the corresponding period in 2014 as follows:

* *For identification purposes only*

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 31 December 2015

	Note	2015 HK$'000	2014 HK$'000
Revenue	4	**20,164,864**	19,157,889
Cost of sales		**(19,523,176)**	(18,171,316)
Gross profit		**641,688**	986,573
Other net (loss)/income	5	**(179,928)**	882,023
Distribution expenses		**(738,769)**	(697,482)
Administrative and other operating expenses		**(2,252,779)**	(1,005,533)
Results from operating activities		**(2,529,788)**	165,581
Finance income		**18,357**	34,391
Finance costs		**(435,266)**	(267,107)
Net finance costs		**(416,909)**	(232,716)
Share of loss of a joint venture (net of income tax)		**(648)**	(3,310)
Loss before income tax	6	**(2,947,345)**	(70,445)
Income tax (expense)/credit	7	**(29,857)**	127,386
(Loss)/profit for the year		**(2,977,202)**	56,941
Attributable to:			
Equity holders of the Company		**(2,976,405)**	56,774
Non-controlling interests		**(797)**	167
(Loss)/profit for the year		**(2,977,202)**	56,941
(Loss)/earnings per share			
Basic	9(a)	**HK$(1.633)**	HK$0.031
Diluted	9(b)	**HK$(1.633)**	HK$0.031

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Note	**2015** **HK$'000**	2014 *HK$'000*
(Loss)/profit for the year		**(2,977,202)**	56,941
Other comprehensive income for the year (after reclassification adjustments)	*10*		
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences for foreign operations		**(710,019)**	(47,907)
Foreign currency translation differences reclassified to profit or loss upon disposal and deconsolidation of subsidiaries and disposal of a joint venture		**2,429**	(67,947)
		(707,590)	(115,854)
Total comprehensive income for the year		**(3,684,792)**	(58,913)
Attributable to:			
Equity holders of the Company		**(3,680,813)**	(58,871)
Non-controlling interests		**(3,979)**	(42)
Total comprehensive income for the year		**(3,684,792)**	(58,913)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2015

	Note	**2015**	2014
		HK$'000	*HK$'000*
Non-current assets			
Property, plant and equipment		**14,656,216**	16,540,504
Lease prepayments		**2,988,918**	3,606,989
Goodwill		**90,776**	96,405
Intangible assets		**36,484**	–
Interest in a joint venture		**–**	14,881
Non-current prepayments and receivables		**214,859**	305,831
Deferred tax assets		**11,014**	20,167
		17,998,267	20,584,777
Current assets			
Inventories		**885,300**	1,390,172
Other investment		**1,003**	101,407
Current portion of lease prepayments		**70,440**	82,860
Trade and other receivables	*11*	**3,134,274**	3,662,104
Income tax recoverable		**1,387**	1,581
Pledged deposits		**7,493**	232,809
Time deposits		**10,199**	6,168
Cash and cash equivalents		**401,011**	885,028
		4,511,107	6,362,129
Current liabilities			
Bank loans		**4,774,516**	3,818,771
Short term financing notes	*13(a)*	**596,801**	–
Medium term notes	*13(b)*	**1,192,305**	1,645,097
Finance lease liabilities		**542**	549
Trade and other payables	*12*	**2,684,164**	2,706,331
Income tax payable		**4,553**	12,427
		9,252,881	8,183,175
Net current liabilities		**(4,741,774)**	(1,821,046)
Total assets less current liabilities		**13,256,493**	18,763,731

	Note	2015 HK$'000	2014 HK$'000
Non-current liabilities			
Bank loans		**756,021**	1,379,154
Medium term notes	*13(b)*	**–**	1,266,629
Finance lease liabilities		**137,791**	146,907
Deferred tax liabilities		**31,051**	23,729
		924,863	2,816,419
NET ASSETS		**12,331,630**	15,947,312
EQUITY			
Share capital		**182,276**	182,276
Reserves		**12,098,265**	15,709,968
Total equity attributable to equity holders of the Company		**12,280,541**	15,892,244
Non-controlling interests		**51,089**	55,068
TOTAL EQUITY		**12,331,630**	15,947,312

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, 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 2015 as set out in this preliminary announcement have been agreed by the Group's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG 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 in page 14 to 16 of this announcement.

2. BASIS OF PREPARATION

Going concern basis

(i) Uncertainties arising from the Incident

On 26 March 2015, the Company received notice from the family members of Mr. Zhu Yicai ("Mr. Zhu"), the single largest shareholder of the Company, the Honorary Chairman of the Company, a Senior Advisor to the Board of Directors and a director of certain key operating subsidiaries of the Group, that a Procuratorate has imposed measures on Mr. Zhu such that he has been required to stay at a designated residence in China since 23 March 2015 (the "Incident"). Up to the date of approval of these consolidated financial statements, the Company has not received any update on the circumstances of this Incident or had any contact with Mr Zhu.

Given that Mr Zhu only occupies a non-executive role in the Company and the Group and was not involved in the daily management of the Group and the Group has not received any notice from any bank to accelerate repayment of loans for the reasons of the Incident, the directors of the Company are of the view that the Incident have not posed any material adverse impact on the operation of the Group and the Group will be able to continue as a going concern for the foreseeable future so far as this matter is concerned.

(ii) Other material uncertainties

During the year ended 31 December 2015, the Group's gross profit amounted to HK$641,688,000 (2014: HK$986,573,000). The Group recorded a net loss of HK$2,977,202,000 (2014: a profit of HK$56,941,000) and operating cash outflow of HK$186,922,000 (2014: HK$464,537,000) for the year ended 31 December 2015. As at 31 December 2015, the Group had net current liabilities of HK$4,741,774,000 (2014: HK$1,821,046,000). Its total borrowings and finance lease liabilities amounted to HK$7,457,976,000 (2014: HK$8,257,107,000), out of which HK$6,564,164,000 (2014: HK$5,464,417,000) is due within 12 months of that date. The Group incurred interest expenses of HK$484,061,000 (2014: HK$481,901,000) for the year ended 31 December 2015. As at 31 December 2015, the Group could not fulfil covenants imposed by banks of certain bank loans of an aggregate amount of HK$2,200,752,000 (2014: HK$202,079,000), of which loans of HK$104,458,000 were due on or before 31 December 2015. On 17 March 2016, a subsidiary of the Group was unable to repay the short term financing notes due and triggered cross default provisions of certain outstanding financial facilities entered into by the Group of approximately HK$1,700,000,000 which resulted in the Group being under an immediate repayment obligation of such outstanding borrowings. Certain subsidiaries of the Group are also party to various litigations. These conditions indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern.

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

(i) Actively negotiating with banks to renew bank loans that have fallen due;

(ii) Implementing comprehensive policies to monitor cash flows through cutting costs and capital expenditure;

(iii) Taking active measures to expedite collections of outstanding receivables;

(iv) Seeking potential strategic investors; and

(v) Looking for buyers for certain non-core assets.

Taking into account the Group's cash flow projections covering a period of twelve months from the end of the reporting period prepared by management, and assuming the success of the above measures, the directors considers the Group would be able 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 consolidated financial statements have been prepared on a going concern basis.

Should the Group be unable to operate as a going concern, adjustments would have to be made to write down the carrying value of the Group's assets to their recoverable amounts, to provide for any future liabilities that may arise and to re-classify non-current assets and non-current liabilities as current assets and current liabilities. The effect of these adjustments has not been reflected in these consolidated financial statements.

3. CHANGES IN ACCOUNTING POLICIES

The International Accounting Standards Board has issued the following amendments to International Financial Reporting Standards ("IFRSs") that are first effective for the current accounting period of the Group and are relevant to the Group's financial statements:

– *Annual Improvements to IFRSs 2010-2012 Cycle*

– *Annual Improvements to IFRSs 2011-2013 Cycle*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of other amended IFRSs are discussed below:

Annual Improvements to IFRSs 2010-2012 Cycle and 2011-2013 Cycle

These two cycles of annual improvements contain amendments to nine standards with consequential amendments to other standards. Among them, International Accounting Standard 24, Related party disclosures has been amended to expand the definition of a "related party" to include a management entity that provides key management personnel services to the reporting entity, and to require the disclosure of the amounts incurred for obtaining the key management personnel services provided by the management entity. These amendments do not have an impact on the Group's related party disclosures as the Group does not obtain key management personnel services from management entities.

4. REVENUE AND SEGMENT INFORMATION

Revenue represents the sales value of goods sold to customers, excludes value-added tax or other sales taxes and is after allowance for goods returned and deduction of any trade discounts and volume rebates.

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 operating decision maker ("CODM"), the Group has identified the following two reportable segments. No 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 2015 and 2014 is set out below:

	Chilled and frozen meat		**Processed meat products**		**Total**	
	2015	2014	**2015**	2014	**2015**	2014
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
External revenue	**17,745,205**	16,414,673	**2,419,659**	2,743,216	**20,164,864**	19,157,889
Inter-segment revenue	**399,630**	748,169	**24,550**	15,853	**424,180**	764,022
Reportable segment revenue	**18,144,835**	17,162,842	**2,444,209**	2,759,069	**20,589,044**	19,921,911
Depreciation and amortisation	**(422,653)**	(506,001)	**(108,907)**	(98,004)	**(531,560)**	(604,005)
Impairment of property, plant and equipment & lease prepayments	**(1,243,377)**	–	**–**	–	**(1,243,377)**	–
(Provision for)/reversal of impairment losses on trade and other receivables	**(2,476)**	5,109	**(12,985)**	21,727	**(15,461)**	26,836
Government subsidies	**73,483**	83,522	**28,325**	330,591	**101,808**	414,113
Reportable segment (loss)/profit	**(2,015,673)**	(504,414)	**(186,435)**	360,572	**(2,202,108)**	(143,842)
Income tax expense	**(1,306)**	(5,595)	**(28,162)**	(25,197)	**(29,468)**	(30,792)

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

	2015	2014
	HK$'000	*HK$'000*
Revenue		
Total revenue from reportable segments	**20,589,044**	19,921,911
Elimination of inter-segment revenue	**(424,180)**	(764,022)
Consolidated revenue	**20,164,864**	19,157,889
(Loss)/profit		
Reportable segment loss	**(2,202,108)**	(143,842)
Elimination of inter-segment profits	**1,041**	601
Reportable segment loss derived from the Group's external customers	**(2,201,067)**	(143,241)
Share of loss of a joint venture	**(648)**	(3,310)
Loss on disposal of a joint venture	**(2,086)**	–
(Loss)/gain on disposal and deconsolidation of subsidiaries	**(63,757)**	354,669
Impairment losses on receivables arising from disposal of a subsidiary	**(186,046)**	–
Net finance costs	**(416,909)**	(232,716)
Income tax (expense)/credit	**(29,857)**	127,386
Unallocated head office and corporate expenses	**(76,832)**	(45,847)
Consolidated (loss)/profit for the year	**(2,977,202)**	56,941

(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.

(d) Information about major customers

During the years ended 31 December 2015 and 2014, there was no single external customer that contributed 10% or more of the Group's total revenue from external customers.

5. OTHER NET (LOSS)/INCOME

	2015	2014
	HK$'000	*HK$'000*
Government subsidies	**103,115**	415,966
Loss on disposal of a joint venture	**(2,086)**	–
(Loss)/gain on disposal and deconsolidation of subsidiaries *(note)*	**(63,757)**	354,669
Loss on disposal of lease prepayments	**(69,408)**	(1,627)
(Loss)/gain on disposal of property, plant and equipment	**(51,739)**	10,998
Impairment losses on receivables arising from disposal of a subsidiary	**(186,046)**	–
Rental income	**37,022**	42,727
Sales of scrap	**1,005**	773
Sundry income	**51,966**	58,517
	(179,928)	882,023

Note: The Group disposed of its entire equity interest of a wholly owned subsidiary in chilled and frozen meat segment at a total consideration of HK$30,164,000. A loss on disposal of a subsidiary amounting to HK$12,047,000 was recognised during the year ended 31 December 2015. According to the transfer agreement, the consideration shall be payable in five equal instalments over 5 years. The first instalment is due in late 2016.

At 31 December 2015, a wholly owned subsidiary of the Group in chilled and frozen meat segment was under creditors' liquidation. The Group lost its control over this entity and this entity was deconsolidated in 2015. A loss on deconsolidation amounting to HK$51,710,000 was recognised during the year ended 31 December 2015. This entity was at the initial development stage and has not yet commenced production. The loss on deconsolidation was estimated based on management's expectation on the likely outcome of the liquidation and the amount that would be recoverable by the Group in the capacity of the equity owner of this entity.

6. LOSS BEFORE INCOME TAX

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

	2015	2014
	HK$'000	*HK$'000*
Cost of inventories	**19,523,176**	18,171,316
Depreciation	**455,395**	532,748
Loss/(gain) on disposal of property, plant and equipment	**51,739**	(10,998)
Loss on disposal of lease prepayments	**69,408**	1,627
Amortisation of lease prepayments	**79,655**	87,127
Impairment losses on property, plant and equipment	**1,025,027**	–
Impairment losses on lease prepayments	**252,512**	–
Interest on borrowings, net of capitalised interest expense	**369,401**	260,374
Interest income from bank deposits	**(14,003)**	(13,077)
Investment income from available-for-sale financial assets	**(4,354)**	(21,314)

7. INCOME TAX EXPENSE/(CREDIT)

Income tax expense/(credit) in the consolidated statement of profit or loss:

	2015	2014
	HK$'000	*HK$'000*
Current tax expense		
Current year	**10,706**	14,562
Under-provision in respect of prior years	**1,784**	3,516
	12,490	18,078
Deferred tax expense/(credit)		
Origination and reversal of temporary differences	**17,367**	(145,464)
Income tax expense/(credit) in the consolidated statement of profit or loss	**29,857**	(127,386)

(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 2015 and 2014.

(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 2015 and 2014, 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 2015 and 2014.

(d) Under the PRC tax law, dividends received by foreign investors from its investment in foreign-invested enterprises in respect of its 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.

The Company's directors reviewed the dividend policy of the Group in 2014. To retain funding for operations and future development, it was resolved that the Group's PRC subsidiaries will not distribute dividend to the offshore holding companies in the foreseeable future. Accordingly, a reversal of deferred tax liability of HK$158,839,000 in respect of profits from the PRC subsidiaries was recognised during the year ended 31 December 2014 (2015: Nil).

(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 directors of the Company do not recommend the payment of a dividend for the year ended 31 December 2015 (2014: HK$Nil).

9. (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share for the year ended 31 December 2015 is based on the loss attributable to equity holders of the Company for the year of HK$2,976,405,000 (2014: a profit of HK$56,774,000) and the weighted average number of 1,822,756,000 (2014: 1,822,756,000) shares in issue during the year.

(b) Diluted (loss)/earnings per share

Diluted (loss)/earnings per share equals to basic (loss)/earnings per share for the year ended 31 December 2015 and 2014 because the potential ordinary shares outstanding were anti-dilutive.

10. OTHER COMPREHENSIVE INCOME

The components of other comprehensive income do not have any significant tax effect for the years ended 31 December 2015 and 2014.

11. TRADE AND OTHER RECEIVABLES

	2015	2014
	HK$'000	*HK$'000*
Trade receivables	**561,672**	772,992
Bills receivable	**21,724**	16,045
Value-added tax recoverable	**1,951,077**	1,863,210
Deposits and prepayments	**116,710**	96,851
Receivables arising from the disposal of subsidiaries	**388,990**	622,284
Others	**94,101**	290,722
	3,134,274	3,662,104

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

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

	2015	2014
	HK$'000	*HK$'000*
Within 30 days	**341,309**	365,499
31 days to 90 days	**139,861**	167,953
91 days to 180 days	**48,599**	122,568
Over 180 days	**31,903**	116,972
	561,672	772,992

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

	2015	2014
	HK$'000	*HK$'000*
Trade payables	**960,278**	1,082,209
Receipts in advance	**260,285**	280,486
Deposits from customers	**118,375**	138,082
Salary and welfare payables	**82,543**	94,334
Value-added tax payable	**4,239**	4,393
Payables for acquisitions of property, plant and equipment	**503,671**	663,537
Other payables and accruals	**754,773**	443,290
	2,684,164	2,706,331

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

	2015	2014
	HK$'000	*HK$'000*
Within 30 days	**690,771**	865,231
31 days to 90 days	**95,153**	116,786
91 days to 180 days	**57,131**	26,350
Over 180 days	**117,223**	73,842
	960,278	1,082,209

13. SHORT TERM FINANCING NOTES AND MEDIUM TERM NOTES

(a) Short term financing notes

On 16 March 2015, a subsidiary of the Group issued the first tranche of 366-day short term financing notes of RMB500,000,000 in the PRC interbank debenture market with an interest rate of 6.45% per annum. The notes fell due on 17 March 2016.

(b) Medium term notes

	2015	2014
	HK$'000	*HK$'000*
Medium term notes	**1,192,305**	2,911,726
Less: medium term notes due within one year	**(1,192,305)**	(1,645,097)
Non-current medium term notes	**–**	1,266,629

On 10 May 2013, a subsidiary of the Group issued the second tranche of unsecured 3-year medium term notes of RMB1,000,000,000 in the PRC interbank debenture market with an interest rate of 5.27% per annum and due on 13 May 2016. The first tranche of unsecured 3-year medium term notes of RMB1,300,000,000 with an interest rate of 5.49% per annum issued on 17 October 2012 were repaid on the due date on time.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is an extract from the report issued by KPMG, the Company's auditors, on the consolidated financial statements of the Group for the year ended 31 December 2015:

"Basis for disclaimer of opinion

Multiple uncertainties relating to going concern

On 26 March 2015, the Company received notice from the family members of Mr. Zhu Yicai ("Mr. Zhu"), the single largest shareholder of the Company, the Honorary Chairman of the Company, a Senior Advisor to the Board of Directors and a director of certain key operating subsidiaries of the Group, that a Procuratorate has imposed measures on Mr. Zhu such that he has been required to stay at a designated residence in China since 23 March 2015 (the "Incident"). Up to the date of this report, the Company has not received any update on the circumstances of this Incident or had any contact with Mr. Zhu.

The directors of the Company are of the view that the Incident has not caused any material adverse impact on the operations of the Group. However, as described in note 2(b) to the consolidated financial statements, there are a number of other matters which the directors have identified which indicate the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern. These include the facts that the Group incurred a net loss of $2,977,202,000 and operating cash outflow of $186,922,000 for the year ended 31 December 2015 and as at 31 December 2015, the Group had net current liabilities of $4,741,774,000. Its total borrowings and finance lease liabilities amounted to $7,457,976,000, out of which $6,564,164,000 is due within 12 months of that date. In addition, as disclosed in note 2(b), as at 31 December 2015 the Group could not fulfil certain bank covenants and certain subsidiaries of the Group are also party to various litigations. Furthermore, the settlement of the short term financing notes of $596,801,000 due on 17 March 2016 has been delayed (note 42).

The directors have prepared the consolidated financial statements on a going concern basis, having taken into account the measures they have taken and plan to take to mitigate the liquidity pressure on the Group and to improve the Group's financial position, as disclosed in note 2(b) to the consolidated financial statements.

Should the Group be unable to operate as a going concern, adjustments would have to be made to write down the carrying amounts of the Group's assets to their recoverable amounts, to provide for any future liabilities that may arise and to re-classify non-current assets and non-current liabilities as current assets and current liabilities. The effect of these adjustments has not been reflected in these consolidated financial statements.

Disagreement arising from non-compliance with International Accounting Standard 36 (IAS 36), "Impairment of assets" issued by the International Accounting Standard Board

As disclosed in note 15 to the consolidated financial statements, an impairment assessment was carried out by management of the Company on the Group's property, plant and equipment, lease prepayments, goodwill, intangible assets and non-current prepayments. For assets which management considers are likely to be recoverable through continuing use, the Group assessed the recoverable amount of each cash-generating unit (CGU) based on value-in-use calculations. These calculations use cash flow projections based on financial forecasts approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated in note 15. As a result of the assessment, management has assessed that the recoverable amounts of each CGU based on the estimated value-in-use calculation were higher than their carrying amounts as at 31 December 2015. Accordingly, no provision for impairment loss has been recognised for assets which management considers are likely to be recoverable through continuing use.

The forecasts adopted by management for the next five years assume that the average annual growth rate and the average EBITDA margin are broadly similar to that adopted last year and the discount rate applied decreased as compared to that last year. However, over the past few years, the Group's business has been adversely affected by the challenging market conditions and impacts arising from the Incident and the Group has failed to achieve its cash flow projection consecutively.

In our opinion, the assumptions (including EBITDA margin and growth rate) are overly optimistic compared to the Group's actual performance over the recent years and/or the discount rates are low as they do not adequately take into account the risk that the Group may fail to achieve such projections. Therefore in our opinion, this impairment assessment is not in accordance with IAS 36. Given the sensitivity of the calculation to these assumptions (as disclosed in note 15), in our opinion the use of these assumptions and discount rate has resulted in the recoverable amount of these assets being materially overstated.

Any deficit of recoverable amount compared to carrying amount represents an impairment loss in accordance with IAS 36. However, in the absence of a discounted cash flow projection using an overall balanced set of assumptions, we are unable to quantify the amount of any additional impairment losses that should be recognised on these assets for the year ended 31 December 2015.

Recognition of any additional impairment losses against the Group's property, plant and equipment, lease prepayments, goodwill, intangible assets and non-current prepayments would decrease the net assets of the Company as at 31 December 2015 and would increase the Group's loss for the year and the related notes disclosures in the consolidated financial statements.

In addition, as the property, plant and equipment, lease prepayments, goodwill, intangible assets and non-current prepayments as stated above were held by various subsidiaries of the Company, any adjustment on the carrying amounts of these assets found to be necessary would also affect the carrying amount of the Company's interests in subsidiaries which amounted to $7,922,267,000 as at 31 December 2015 as disclosed in note 41 and the amount of loss for the year then ended as disclosed in the Company's statement of changes in equity disclosed in note 36.

Even had there been no multiple material uncertainties relating to going concern as described in the "basis for disclaimer of opinion" paragraphs which precluded us from expressing an opinion on the consolidated financial statements, our opinion would have been qualified for this disagreement.

Disclaimer of opinion

Because of the potential interaction of the uncertainties relating to going concern and their possible cumulative effect on the financial statements described in the "basis for disclaimer of opinion" paragraphs, we do not express an opinion on the consolidated financial statements as to whether they give a true and fair view of the financial position of the Group as at 31 December 2015 and of the Group's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards. In all other respects, in our opinion the financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance."

ANNUAL GENERAL MEETING

It is proposed that the forthcoming annual general meeting of the Company (the "Annual General Meeting") be held on Thursday, 16 June 2016. 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 2015.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 14 June 2016 to Thursday, 16 June 2016, 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 the 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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 13 June 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Overview

During the Review Year, China's economic development entered a new phase. Economic growth slowed down. Renminbi ("RMB") exchange rate continued to fall. China's financial market experienced volatility. High-end catering market remained sluggish and the growth of meat consumption per capita significantly slowed down. Meanwhile, hog price increased remarkably after a slight drop at the beginning of the year, and elevated production costs of the industry. Under the unfavourable economic environment and pork market, operation of the industry players was under certain level of pressure.

During the Review Year, the Chinese government continued to accelerate the reform of food safety regulatory regime. In order to fully implement the central government's decisions and arrangements to enhance food safety and to ensure the quality and safety of meat products, the General Office of the Ministry of Agriculture released the "Circular on Strengthening Management of Livestock & Poultry Slaughtering Industry in 2015" in January 2015, requiring all local governments to continue the review, approval and clearance of qualifications of hog slaughtering at designated locations, to establish systems including slaughtering registration for livestock and poultry before delivery to slaughtering plants (sites), meat product inspection, self-inspection of "Clenbuterol" and harmless disposal of dead body of diseased livestock and poultry, and to strengthen statistics collection and monitoring of livestock and poultry slaughtering. The Board believes that, under the favourable environment created by the government's increasing efforts to promote food safety, the Group will continue to leverage on its core competitiveness in resources, strategy and branding and to capitalize opportunities arising from challenges, so as to further promote the stable development of its businesses.

In view of all the unfavourable factors during the Review Year, the management of Group adopted a more prudent strategy and continued to adhere to the Group's belief to provide quality meat products for consumers against the difficult market environment.

Business Review

During the Review Year, the economic growth slowed down, the market became more competitive, and operating costs including labour and transportation costs continued to rise. In addition, under the tight hog supply, hog prices soared to approaching its peak in five years and the consumption of meat products were low. Confront with all these enormous challenges, the Group made best efforts and adopt prudent approach and feasible measures and methods to reduce the capital expenditure, optimize existing asset structure, strengthen brand image and market positioning and expand distribution channels and network, striving for stable business development.

Product Quality and Research and Development

During the Review Year, under the leadership of the Group's management, Yurun Food adhered to its operation philosophy of "you trust because we care", took the lead in the industry development by technical research and development, and ensured product quality through advanced production process and technology. Yurun Food ranked top in terms of market shares of low temperature meat products ("LTMP") and chilled pork in China, and successively topped the LTMP and chilled pork market in China in terms of market shares for the consecutive seventeenth year and third year respectively in the Annual Conference of the Development of Consumer Markets and the Release of Product Sales Statistics of the PRC Market (中國消費市場發展年會暨商品銷售統計新聞發佈會) held in April 2015. The Group will continue to ensure high product quality, and focus on research and development of products which are well received by the market, so as to maintain its competitive advantages and leading position in the industry.

Sales and Distribution

Chilled pork and LTMP, which are the Group's products with higher added value, remained the key drivers to the overall business development of the Group during the Review Year. In 2015, sales of chilled pork of the Group was HK$16.134 billion (2014: HK$15.165 billion), representing an increase of 6.4% over last year, accounting for approximately 78% (2014: 76%) of the total revenue of the Group prior to inter-segment eliminations and approximately 89% (2014: 88%) of the total revenue of the upstream slaughtering segment. Sales of LTMP was HK$2.231 billion (2014: HK$2.500 billion), representing a decrease of 10.7% over last year, accounting for approximately 11% (2014: 13%) of the total revenue of the Group prior to inter-segment eliminations and approximately 91% (2014: 91%) of the total revenue of the downstream processed meat segment.

Production Facilities and Production Capacity

Adhering to strict investment cost control, the Group adjusted its expansion pace according to market changes and business conditions of the Group. The Group will review the functions and positioning of each of its factories and optimise existing resources, for example by consolidating those networks far away from the raw materials markets or consumer markets, to fully capitalize the advantages of its factories with the hope of enhancing the utilization rate in the long run.

With the efforts of the management to adjust the expansion pace, no new capacity was added to both upstream slaughtering segment and downstream processed meat segment during the Review Year. As of 31 December 2015, the upstream slaughtering capacity was 56.35 million heads per year. While the downstream processed meat capacity was approximately 312,000 tons per year.

Financial Review and Key Performance Indicators

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

The Group recorded a revenue of HK$20.165 billion in 2015, representing an increase of 5.3% from HK$19.158 billion of last year. During the Review Year, the Group provided a provision for impairment losses of HK$1.278 billion on non-current assets, in addition of the operating losses and other one-off losses, the loss attributable to equity holders was HK$2.976 billion in 2015 (2014: a profit of HK$57 million). Diluted loss per share was HK$1.633 (2014: diluted earnings per share: HK$0.031).

Impairment losses on non-current assets

In view of the slow economic growth in the Chinese economy and the business operation pressure faced by the Group during the Review Year, the board of directors performed the impairment assessment of relevant non-current assets according to the requirement of “International Accounting Standard 36 – Impairment of Assets”.

During the assessment process, many assumptions related to the future including but not limited to sales volume, gross profit margin, expenses ratio and discount rate have to use (especially in the cash flow projection which covering a five-year period). If the relevant assumptions are different, the recoverable amount of the relevant assets will be impacted.

According to the relevant accounting standard, the directors used the cashflow forecast to assess the recoverable amount of each cash-generating unit for those assets continuing to be used and engaged an external professional qualified valuer in the PRC to assess the impairment. The directors and the management consolidated the operating data of the Group with their professional experience and understanding of the industry, the future development of the industry and the macro economy of China and believe that the operations of the Group will be improved gradually in the coming five years, and this also form the basis and assumptions of the cashflow forecast model as at 31 December 2015. In addition, the Board also referred to the suggestion of the relevant standard and used the weighted average cost of capital and added on the specific risk of the entity to calculate the discount rate used for the cashflow forecast. The relevant discount rate used is higher than the rate used by the industry. The Board believes that the calculation of the discount rate is adequately reflecting the underlying risk of the cashflow forecast model.

Based on the results of the assessment, provision of impairment losses for property, plant and equipment and lease prepayments of approximately HK$1.278 billion was recognised by the Group as at 31 December 2015.

The Board reiterates that the Group performed the impairment assessment of relevant non-current assets according to the requirement of "International Accounting Standard 36 – Impairment of Assets", the directors of the Company believe that the assumptions used are reasonable, adequate and prudent. Except the factors related to the macro economy, country and industry, the Group also considered those uncertain specific risks related to the Group itself, to ensure the risk which is difficult to quantify can be reflected in the cashflow forecast model specifically and reasonably. In view of this, the directors of the Company and management believe that the discount rate used and the calculation of cashflow forecast is objective, reasonable and appropriate.

Revenue

Chilled and Frozen Pork

During the Review Year, overall pork consumption in China declined. According to the statistics released by the Ministry of Agriculture, the slaughtering volume of national-scale hog slaughter enterprises at designated locations decreased by approximately 9.5% over 2014. During the Review Year, the slaughtering volume of the Group was approximately 9.43 million heads, representing a decrease of approximately 7.1% over last year. This demonstrates that the Group was able to maintain its market share against the overall decrease in pork consumption.

In 2015, total sales from upstream business prior to inter-segment eliminations increased by 5.7% to HK$18.145 billion (2014: HK$17.163 billion) due to increase in hog price despite the decrease in slaughtering volume, of which, sales of chilled pork increased by 6.4% to HK$16.134 billion (2014: HK$15.165 billion), accounting for approximately 78% (2014: 76%) and approximately 89% (2014: 88%) of the total revenue prior to inter-segment eliminations of the Group and the total revenue of the upstream business of the Group respectively. Sales of frozen pork increased by 0.6% to HK$2.011 billion (2014: HK$1.998 billion), accounting for approximately 11% (2014: 12%) of the total revenue of the upstream business.

Processed Meat Products

During the Review Year, sales of processed meat products prior to inter-segment eliminations of the Group was HK$2.444 billion (2014: HK$2.759 billion), representing a decrease of 11.4% over last year.

Specifically, revenue of LTMP was HK$2.231 billion, representing a decrease of 10.7% from HK$2.500 billion of last year. LTMP remained a key revenue driver to the processed meat business, accounting for approximately 91% (2014: 91%) of the total revenue of the processed meat segment. Revenue of high temperature meat products ("HTMP") was HK$213 million (2014: HK$259 million), accounting for approximately 9% (2014: 9%) of the total revenue of the processed meat segment.

Gross Profit and Gross Profit Margin

Gross profit of the Group decreased by 35.0% from HK$987 million in 2014 to HK$642 million during the Review Year. Overall gross profit margin decreased by 1.9 percentage points to 3.2% from 5.1% of last year. During the Review Year, the costs of hog purchases of the Group increased by approximately 15% as driven by increasing hog price across the nation. Other production costs also increased. The Group experienced greater difficulty in transferring cost to consumers and as a result, the gross profit declined.

In respect of the upstream business, gross profit margin of chilled pork and frozen pork were 2.0% and -4.9% respectively (2014: 4.2% and -6.3% respectively). The overall gross profit margin of the upstream segment was 1.2%, representing a decrease of 1.8 percentage points from 3.0% of last year.

In respect of the downstream processed meat products, gross profit margin of LTMP was 17.7%, representing an increase of 0.5 percentage point from 17.2% of last year. Gross profit margin of HTMP was 21.4%, representing an increase of 3.8 percentage points over last year. The overall gross profit margin of the downstream segment was 18.1%, representing an increase of 0.9 percentage point from 17.2% of last year.

Other Net Loss

During the Review Year, other net loss of the Group was HK$180 million (2014: other net income of HK$882 million). Other net loss during the Review Year was mainly attributable to non-recurring losses including the loss on disposal of lease prepayments and property, plant and equipment, loss on disposal and deconsolidation of subsidiaries and impairment losses on receivables arising from disposal of a subsidiary, and significant decrease in government subsidies income.

Operating Expenses

Operating expenses included distribution expenses and administrative and other operating expenses. During the Review Year, operating expenses of the Group were HK$2.992 billion, representing an increase of 75.7% from HK$1.703 billion of last year. Such increase was mainly due to the impairment losses on certain non-current assets approximately HK$1.278 billion during the Review Year. Operating expenses excluding impairment losses represented 8.5% of the Group's turnover, representing a decrease of 0.4 percentage point from 8.9% of last year.

Results of operating activities

Operating loss of the Group during the Review Year was HK$2.530 billion (2014: operating profit of HK$166 million).

Finance Costs

During the Review Year, net finance costs of the Group were HK$417 million as compared with HK$233 million of last year. Net finance costs increased mainly because of the decrease of interest expense capitalized into property, plant and equipment under development due to the slow-down of construction in progress, as well as exchange loss due to depreciation of RMB during the Review Year.

Income Tax

Income tax expense for the Review Year was approximately HK$30 million (2014: credit of HK$127 million). In 2014, income tax after deducting the one-off tax credit expense was approximately HK$31 million. Income tax expense for the Review Year was similar to that of 2014.

Loss Attributable to the Equity Holders of the Company

Taking into account all of the above factors, loss attributable to the equity holders of the Company was HK$2.976 billion during the Review Year (2014: profit attributable to the equity holders of the Company of HK$57 million).

Financial Resources

In March 2015, a wholly-owned subsidiary of the Group, Nanjing Yurun Food Co., Ltd ("Nanjing Yurun") issued the 366-day short term financing notes of RMB500 million in the PRC with an interest rate of 6.45% per annum (the "Short Term Financing Notes").

As at 31 December 2015, the Group's cash balance together with time deposits and pledged deposits were HK$419 million, approximately 92% (31 December 2014: 98%) of which was denominated in Hong Kong Dollars and RMB, representing a decrease of HK$705 million from HK$1.124 billion as at 31 December 2014.

As at 31 December 2015, the Group had outstanding bank loans of HK$7.320 billion (including the domestic medium term notes ("**MTN**") and the Short Term Financing Notes issued in the PRC by Nanjing Yurun), representing a decrease of HK$790 million from HK$8.110 billion as at 31 December 2014, of which, HK$4.775 billion, HK$1.192 billion and HK$597 million (31 December 2014: HK$3.819 billion, HK$1.645 billion and HK$Nil) were bank loans, the MTN and the Short Term Financing Notes respectively which are repayable within one year, and the bank loans which are due within one year are expected to be renewed upon maturity. Nanjing Yurun repaid in full all the principal amount of RMB1.3 billion of the first tranche of the medium term notes together with its interests accrued on the due date.

All of the borrowings were denominated in RMB, which was consistent with the borrowings as at 31 December 2014.

The fixed rate debt ratio of the Group was 60.7% as at 31 December 2015 (31 December 2014: 65.9%).

Net cash outflow of the Group during the Review Year was mainly used for daily operations, payment for the construction payables for those projects already started and repayments of borrowings. The Group has adequate amount of unutilized credit facilities. The bank loans are expected to be renewed upon maturity and the Group has adequate funds for its daily operating activities and other funding requirements.

Under the principle of strict control over investment costs, the capital expenditure of the Group decreased significantly by 49.1% to HK$356 million during the Review Year from HK$700 million of last year.

Assets and Liabilities

As at 31 December 2015, the total assets and total liabilities of the Group were HK$22.509 billion (31 December 2014: HK$26.947 billion) and HK$10.178 billion (31 December 2014: HK$11.000 billion) respectively, representing a decrease of HK$4.438 billion and HK$822 million as compared with the total assets and liabilities as at 31 December 2014 respectively.

As at 31 December 2015, the property, plant and equipment of the Group amounted to HK$14.656 billion (31 December 2014: HK$16.541 billion), representing a decrease of HK$1.884 billion as compared with that as at 31 December 2014. The reason of such decrease was mainly, in view of the slowdown in economic growth, transformation of economic structure and the increasingly competitive business environment in China, the Group recognised an impairment losses of approximately HK$1.025 billion in respect of certain assets after the impairment assessment.

Lease prepayments of the Group as at 31 December 2015 amounted to HK$3.059 billion (31 December 2014: HK$3.690 billion). This represented the purchase cost of land use rights which was amortised on a straight-line basis over the respective periods of the rights. Land use rights of seven pieces of land of the Group were disposed during the Review Year and an impairment losses of approximately HK$253 million was recognised, and therefore, the lease prepayments of the Group as at 31 December 2015 decreased by 17.1% as compared with that as at 31 December 2014.

Non-current prepayments and receivables of the Group mainly represented the prepayments for acquisitions of land use rights and property, plant and equipment. As at 31 December 2015, it amounted to HK$215 million (31 December 2014: HK$306 million). These assets have not started to depreciate nor amortise yet.

As at 31 December 2015, the Group had net current liabilities of approximately HK$4.742 billion (31 December 2014: HK$1.821 billion). The directors believe that the current bank loans which are due within one year are expected to be renewed upon maturity. In addition, the Group will implement comprehensive policies to monitor cash flows through cutting costs and capital expenditure, proactively take measures to accelerate the collections of outstanding receivables, seek potential strategic investors and identify buyers for certain non-core assets to improve the cashflow. In view of these, the directors of the Company believe that the Group will 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.

As at 31 December 2015, equity attributable to equity holders of the Company was HK$12.281 billion in total, representing a decrease of HK$3.611 billion as compared with HK$15.892 billion as at 31 December 2014.

As at 31 December 2015, the gearing ratio (total debt represented by the sum of bank loans, short term financing notes, the MTN and finance lease liabilities divided by the sum of total debt and equity attributable to shareholders) of the Group was 37.8%, representing an increase of 3.6 percentage points as compared with 34.2% as at 31 December 2014. As at 31 December 2015, after excluding cash in bank, time deposits and pledged deposits, the net gearing ratio was 35.7% (31 December 2014: 29.5%).

Charges on Assets

As at 31 December 2015, certain properties and construction in progress of the Group with a carrying amount of HK$1.937 billion (31 December 2014: HK$540 million) and lease prepayments of the Group with a carrying amount of HK$1.148 billion (31 December 2014: HK$506 million) were pledged against certain bank loans with a total amount of HK$2.990 billion (31 December 2014: HK$1.601 billion).

As at 31 December 2015, certain secured bank loans of the Group amounted to HK$3 million (31 December 2014: HK$407 million) which were secured by pledged deposits denominated in RMB amounting to HK$3 million (31 December 2014: HK$165 million). At 31 December 2015, no bank loans were secured by available-for-sale financial asset (31 December 2014: HK$101 million).

As at 31 December 2014, bills payable were secured by RMB denominated pledged deposit of HK$63 million.

Significant Investment, Material Acquisition and Disposal of Subsidiaries and Associated Companies, Future Plans for Material Investment or Acquisition of Capital Assets

Having considered the current operation and cash flow of the Group, the Board takes a more prudent approach on capital expenditure plan for 2016. The preliminary capital expenditure plan for 2016 as approved by the Board is currently expected to be approximately RMB200 million, which will be mainly used to complete the construction in progress. As at the date of this announcement, the budget and the expenditure plan are yet to be finalised and the Group has not identified any particular target or opportunity at this stage.

Save as disclosed herein, the Group did not hold any other significant investment nor have any substantial acquisition and disposal of subsidiaries or associated companies during the Review Year. 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

There were outstanding litigations commenced by several constructors against certain subsidiaries of the Group claiming construction fee totalling approximately HK$104 million. Based on the advice of the Group's in-house legal counsel, the directors of the Company estimated that the Group will be liable to pay HK$70 million for the settlement of the litigations.

Exposure to Fluctuations in Exchange Rates and Related Hedges

Other than purchases of certain equipment and materials and payment of certain professional fees in United States dollars, Euros or Hong Kong dollars, the Group's transactions are mainly settled in RMB. RMB is the functional currency of 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 2015, the Group had approximately 16,000 (31 December 2014: approximately 19,000) employees in the PRC and Hong Kong in total. During the Review Year, total staff cost was HK$884 million, accounting for 4.4% of the turnover (2014: HK$911 million, accounting for 4.8% of the turnover) of the Group.

The Group offered its employees competitive remuneration and other employee benefits, including contributions to social security schemes, such as retirement benefits scheme. In line with the industry and market practice, the Group also offered performance based bonuses and a share option scheme to encourage and reward employees to contribute in terms of innovation and improvement. In addition, the Group allocated resources to provide continuing education and training to management and employees so as to improve their skills and knowledge.

Environmental Policies and Performance

As a responsible corporation, the Group is committed to promoting environmental protection and makes best effort to minimize the environmental impact of its existing production and business activities. During the Review Year, the Group implemented measures to reduce waste generated during its production process. In future, the Group aims at improving those measures to minimize waste and participating in conservation and sustainability initiatives as part of its long term environmental protection strategy.

Subsequent Events

Nanjing Yurun was unable to obtain sufficient funding on 17 March 2016 to repay its Short Term Financing Notes. Nanjing Yurun had therefore defaulted on the Short Term Financing Notes on 17 March 2016. As at the date of this announcement, Nanjing Yurun has already made payment to the designated account for the full repayment of all the principal amount of RMB500 million of the Short Term Financing Notes and its interests.

For details, please refer to the announcements of the Company dated 21 March 2016 and 30 March 2016.

CORPORATE GOVERNANCE

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") set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the Review Year except for the deviation from paragraph A.6.7 of the CG Code as Li Qing, a former independent non-executive director, was absent from the annual general meeting of the Company held on 24 June 2015 for other engagements.

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 10 to the Listing Rules as the Company's code of conduct and rules governing dealings by all directors of the Company in the securities of the Company. The Company, having made specific enquiry of all directors of the Company, confirms that the directors have 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.

AUDIT COMMITTEE

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

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 2015 containing all the financial and other related information required by the Listing Rules will be despatched to the shareholders of the Company and published on the websites of the Company and the Stock Exchange in due course.

By Order of the Board
Yu Zhangli
Chairman

Hong Kong, 30 March 2016

As at the date of this announcement, the executive directors of the Company are Yu Zhangli, Li Shibao, Ge Yuqi and Sun Tiexin; the independent non-executive directors are Gao Hui, Chen Jianguo and Miao Yelian.