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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)**

### **UNUSUAL PRICE MOVEMENT CLARIFICATION ANNOUNCEMENT**

#### **UNUSUAL PRICE MOVEMENT**

This statement is made at the request of The Stock Exchange of Hong Kong Limited pursuant to rule 13.10 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

The Board of directors (the “**Board**”) of China Yurun Food Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) has noted recent decrease in the price of the shares of the Company. The Board wishes to state that, save as disclosed in the section headed “Clarification of Rumours” below, it is not aware of any reason for such decrease in the price of the shares.

The Board also confirms that there are no negotiations or agreements relating to intended acquisitions or realizations which are discloseable under rule 13.23 of the Listing Rules, neither is the Board aware of any matter discloseable under the general obligation imposed by rule 13.09 of the Listing Rules, which is or may be of a price-sensitive nature.

Made by the order of the Board, the directors of which individually and jointly accept responsibility for the accuracy of this statement.

#### **CLARIFICATION OF RUMOURS**

##### ***Accounting Misstatements***

The Board notes that there have been recent rumours alleging certain accounting misstatements in the Group’s accounts. The Board strongly denies the allegations and reserves all rights against any attempts aimed at disseminating scandalous information regarding the Group and actions targeted at sabotaging the Group, its management and/or the price of the securities of the Company.

The Board hereby clarifies that the allegations and comments on the Company's accounting misstatements are untrue, groundless and without basis. KPMG ("KPMG"), a "Big Four" international accounting firm and certified public accountants has been engaged by the Group as its independent external auditor since the Company's listing in 2005. During these 7 consecutive years since the Company's listing, KPMG has conducted its audit on the Group's consolidated financial statements in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants and has issued standard unqualified audit opinion with no reservation in its auditor's report. The Board believes that the consolidated financial statements of the Group give a true and fair view of the state of affairs of the Group and that the Group's independent auditor has performed appropriate procedures in its audit of the Group's consolidated financial statements.

With respect to particular aspects of the rumours, the Board clarifies and states that:

- (a) *Internal control* - the Group has established internal control procedures to assure that the Group's assets are safeguarded, operational controls are in place, risks are properly managed and accounting records are maintained properly. As part of the internal control system, the Group has implemented and will continue to implement a very strict cash management procedure. In addition, based on our understanding, validation of controls and obtaining confirmations of bank balances are some of the essential and critical verification procedures conducted by the independent auditor during its normal audit procedures. Movements of funds above a certain amount are audited as well.

With the Group's internal control system in place and the stringent audit procedures, the allegation on unauthorised use of Company's cash resources for improper purposes is clearly unjustified, groundless and fabricated.

- (b) *Cash and bank deposits* - all cash is owned and used exclusively by the Group. With 69 operating factories and over 20 projects under constructions as at 31 December 2011 and in view of the changing market for private companies in China to borrow funds, it is essential for the Company's subsidiaries to maintain sufficient cash in hand for operations and expansion. As such, individual subsidiaries of the Group placed substantial part of their funds in savings and current accounts with banks in China or offshore at the then prevailing market interest rates. The Group's rate of interest income was approximately 0.69% for the year 2011 (based on approximately HK\$40 million interest income and the average bank balance of approximately HK\$5,845 million in year 2011), which rate is higher than the annual interest rates of deposits in the Mainland China in 2011 ranging from 0.36% to 0.5%.
- (c) *Assets* - all the assets (including but not limited to land use rights, properties and cash) are legally obtained and owned by the Group with no irregularity. They have been and will continue to be used exclusively by the Group for its business and production.

- (d) *Liabilities* - all commitments and liabilities (current and non-current) of the Group have been properly recorded and included in its balance sheet. The Group has neither pledged any of its assets nor provided any form of security or guarantee, for the benefit of any person or entity outside of the Group.
- (e) *Compliance with laws and regulations* - the Group has always been law-abiding and operating in accordance with applicable laws and regulations, in particular, all transactions with connected persons were and will continue to be conducted strictly in accordance with the Listing Rules.

### ***Food Safety***

The Board also wishes to clarify that the Group has always been mindful of the importance of food safety and always strives to maintain food safety of international standards. To ensure a high standard of food safety during the production process, the Group has, and will continue to, strictly implement and maintain international quality control and inspection system in relation to its products.

The Group has not discovered any food safety concerns with regard to its products from any of its recent quality control tests and inspections. As such, the Board is of the view that the recent food safety rumours alleging product contamination are ungrounded and misleading.

The Company will closely monitor any further rumours and allegations against the Group, and reserves its rights to take any legal actions.

By Order of the Board  
**Zhu Yicai**  
*Chairman*

Hong Kong, 29 June 2012

*As at the date of this announcement, the executive directors of the Company are Zhu Yicai, Yu Zhangli, Zhu Yiliang, Feng Kuande and Ge Yuqi; the non-executive directors are Jiao Shuge (alias Jiao Zhen), Wang Kaitian and Li Chenghua; and the independent non-executive directors are Gao Hui, Qiao Jun and Chen Jianguo.*

*\* For identification purposes only*