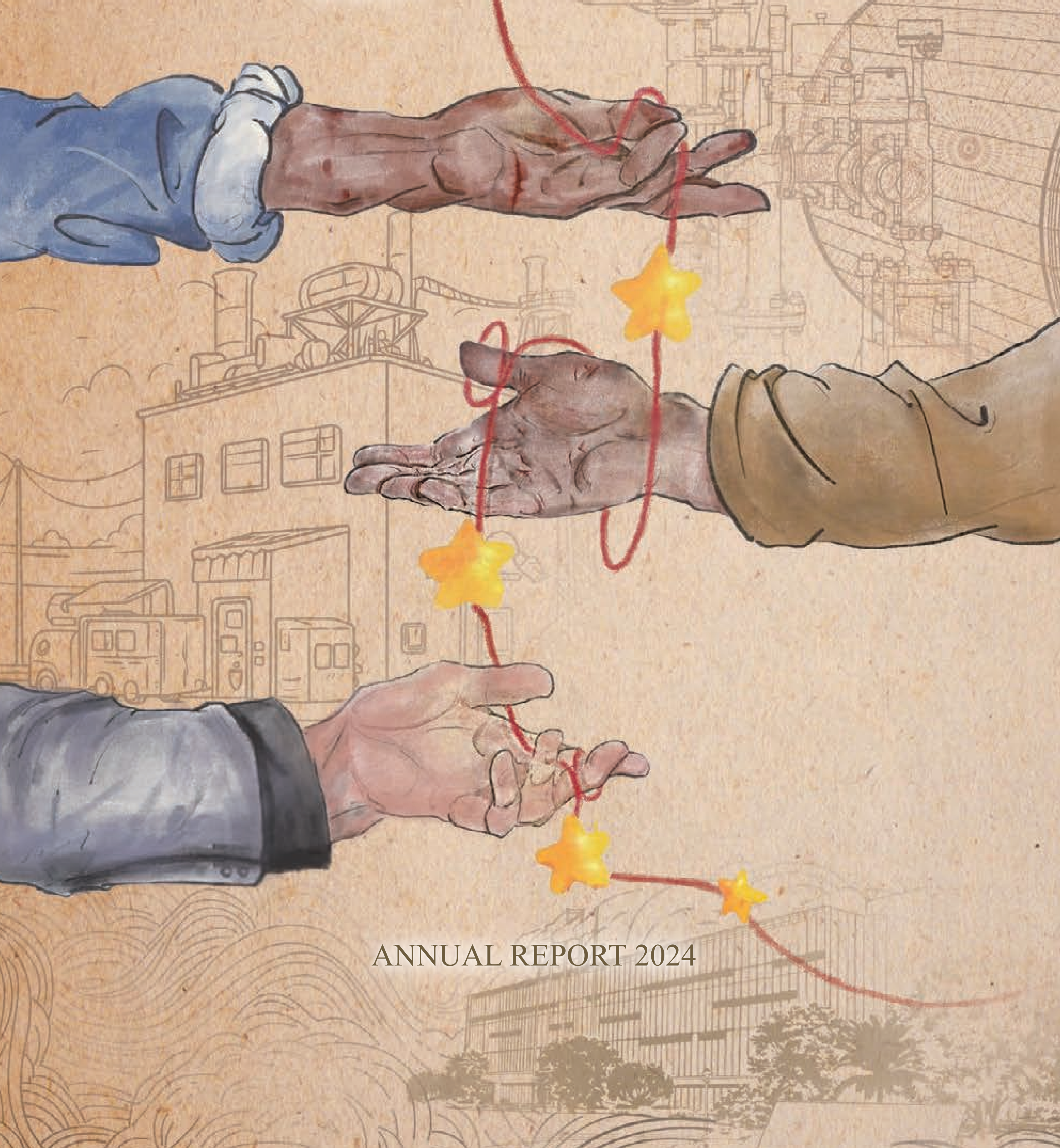
China Yurun Food Group Limited

中國雨潤食品集團有限公司

(Incorporated in Bermuda with limited liability)

Stock Code: 1068



ANNUAL REPORT 2024

Contents

2 Corporate Information

3 Chairman's Statement

6 Management Discussion and Analysis

16 Biographical Details of Directors

17 Corporate Governance Report

36 Report of the Directors

51 Independent Auditor's Report

53 Consolidated Statement of Profit or Loss and Other Comprehensive Income

55 Consolidated Statement of Financial Position

57 Consolidated Statement of Changes in Equity

58 Consolidated Statement of Cash Flows

60 Notes to the Consolidated Financial Statements

121 List of Principal Subsidiaries

122 Five-Year Summary

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Zhu Yuan *(Chairman and Chief Executive Officer)*
Yang Linwei

Independent Non-executive Directors

Gao Hui
Chen Jianguo
Xu Xinglian

AUDIT COMMITTEE

Gao Hui *(Chairman)*
Chen Jianguo
Xu Xinglian

REMUNERATION COMMITTEE

Gao Hui *(Chairman)*
Chen Jianguo
Zhu Yuan

NOMINATION COMMITTEE

Chen Jianguo *(Chairman)*
Gao Hui
Zhu Yuan

COMPANY SECRETARY

Lee Wing Sze, Rosa *HKICPA, FCCA*

AUTHORISED REPRESENTATIVES

Zhu Yuan
Lee Wing Sze, Rosa

AUDITOR

BDO Limited

PRINCIPAL BANKERS

Bank of China Limited
Agricultural Bank of China Limited
Industrial and Commercial Bank of China Limited
Bank of Ningbo Co., Ltd.

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE

10 Yurun Road
Jianye District
Nanjing
The People's Republic of China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 4707, 47th Floor
Central Plaza
18 Harbour Road, Wanchai
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Appleby Global Corporate
Services (Bermuda) Limited
Canon's Court, 22 Victoria Street
PO Box HM 1179, Hamilton HM EX
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
17/F., Far East Finance Centre
16 Harcourt Road
Hong Kong

LEGAL ADVISORS

As to Hong Kong Law

Sidley Austin
Cleary Gottlieb Steen & Hamilton (Hong Kong)

As to Bermuda Law

Conyers Dill & Pearman

STOCK CODE

1068

WEBSITE

www.yurun.com.hk

CHAIRMAN'S STATEMENT

CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS:

On behalf of the board of directors (the "Board") of China Yurun Food Group Limited ("Yurun Food"or the "Company") and its subsidiaries (collectively referred to as the "Group"), I hereby present to you the annual results of the Group for the year ended 31 December 2024 (the "Review Year").

In 2024, the global landscape remained complex and volatile. the momentum of global economic growth continued to weaken, while escalating geopolitical tensions and intensifying trade protectionism further clouded the outlook. Domestically, insufficient effective demand and the transitional pains associated with economic restructuring posed additional challenges. Certain industries faced significant difficulties in production and operations due to both external pressures and internal constraints. Amid these mounting challenges, China's economy followed a trajectory marked by 'early strength, mid-year softness, and signs of recovery toward the end', reflecting a pattern of resilient yet pressured growth.

BUSINESS REVIEW

During the Review Year, the Group remained focused on the production and sales of its esteemed brand, Haroulian ("HRL"). Through enhanced synergy between online and offline channels, the Group upgraded its brand image, increased brand awareness, and expanded its market share. At the same time, the Group closely tracked evolving consumer preferences, stepped up investment in research and development, and continued to promote a healthy, convenient, and personalized consumption philosophy. By enriching its product portfolio, the Group offered consumers a more diverse and higher-quality products to meet their needs.

With the joint efforts of all employees, distributors and partners, the Group achieved revenue of HK$992 million in 2024, with a loss attributable to equity holders of the Company of HK$39 million, a year-on-year decrease in loss of HK$109 million.

The Group will continue to seize market opportunities arising from the ongoing upgrade in China's consumption structure. The Company will remain focused on its core business, enhance the brand image and market positioning as healthy, high-quality and delicious. We will also intensify product innovation to meet consumers' increasingly diverse demands and drive the Group's long-term and stable development of its business.

OUTLOOK

In 2024, amid numerous risks and challenges, China introduced a series of incremental policies, which helped stabilize and improve overall economic operations. However, the economy continued to face pressure from weak domestic demand and imbalances between supply and demand. Looking ahead to 2025, stabilizing expectations and stimulating vitality will remain key priorities. The domestic economy is expected to maintain stable growth under the support of continued pro-growth policies.

The HRL series brand has a legacy spanning over a century and has consistently evolved with time. In the face of ongoing changes, the HRL will continue to advance with industry-leading scientific research and technological innovation. Building on its century-old heritage, it remains committed to its original aspiration – using fresh meat ingredients, traditional craftsmanship, and timeless flavour that align with modern health trends and Chinese culinary culture.

ACKNOWLEDGMENT

In 2024, we weathered many storms together and forged ahead through adversity. On behalf of the Board, I would like to express my deepest gratitude to all shareholders, customers, and business partners who have always supported and trusted Yurun! At the same time, I would also like to extend my heartfelt thanks to all Yurun employees. Your dedication, tireless efforts, and selfless contributions have been instrumental in helping the Group remain resilient in difficult times and steadfast in the face of challenges. Looking ahead, we will continue to move forward side by side, with unwavering determination and a pioneering spirit, as we write a new chapter in the Group's development.

Zhu Yuan
Chairman
Hongkong, 25 March 2025

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

In 2024, the global economy remains in a phase of cyclical adjustment, with protectionist trend intensifying and geopolitical risks persisting. Domestically, market demand is sluggish and the economic restructuring process faces short-term pressures, causing challenges for certain industries and enterprises in production and operations. Despite these challenges, the economy of China remained relatively stable, demonstrating a steady and progressive trajectory and achieving its annual economic growth target successfully. According to the preliminary calculations by the National Bureau of Statistics, the annual gross domestic product (GDP) reached Renminbi ("RMB")135 trillion, representing a year-on-year increase of 5.0% calculated at constant prices. However, residents' consumption capacity and willingness to spend still have room for improvement, as the sales of certain goods and services remain relatively weak. The total retail sales of consumer goods for the year amounted to RMB49 trillion, a year-on-year increase of 3.5%, while the annual consumer price index (CPI) rose by 0.2% year-on-year.

In 2024, China's hog production capacity was reasonably adjusted due to capacity optimisation, which yielded effective results. Throughout the year, a total of 702.56 million hogs were slaughtered nationwide, representing a year-on-year decrease of 3.3%. Pork production reached 57.06 million tons, decreased by 1.5% compared to last year. By the end of 2024, the national hog inventory stood at 427.43 million heads, reflecting a 1.6% year-on-year decline. As the world's largest consumer of pork, China maintains a vast and relatively stable demand. Although per capita pork consumption has risen in recent years, its growth rate has shown a downward trend. From a medium to long term perspective, the proportion of pork in total meat consumption is gradually decreasing. Meanwhile, rising economic standards are driving consumers to shift toward higher quality and value-added pork products. Additionally, stricter environmental policies, limited farmland, frequent outbreaks of diseases such as African swine fever, fluctuations in hog prices, and advancements in food safety etc., have impacted the industry. In response to these, the Chinese government

is encouraging hog farming and slaughtering enterprises to adopt a model of "large-scale farming, centralised slaughtering, cold chain transportation, and chilled processing". The market share of slaughtering and meat processing enterprises with higher levels of standardisation and regulation is expected to gradually increase.

In 2024, hog prices were influenced by capacity reductions and supply adjustments due to pandemic-related disruptions. Throughout the year, hog prices exhibited a pattern of sharp increases followed by declines. Overall hog prices were generally higher than in the previous year. According to data released by the Ministry of Agriculture and Rural Affairs, the national average hog price in 2024 was approximately RMB17.08/kg, representing a year-on-year increase of approximately 11.3%. Looking ahead to 2025, as hog production capacity enters a recovery phase, supply-side pressures are expected to persist. Meanwhile, demand is likely to follow a gradual upward trajectory, with hog prices projected to decline initially before rising later in the year.

BUSINESS REVIEW

China Yurun Food Group Limited ("Yurun Food" or the "Company") and its subsidiaries (collectively, the "Group") focused on the production and sales of its esteemed brands, Haroulian ("HRL") during the year ended 31 December 2024 ("the Review Year"). With a commitment to diversification, personalisation, and high-quality consumer demands, the Group continuously strengthened new product development and enhanced product quality to meet consumers' needs for healthy and delicious products. Faced with market challenges such as the slow pace of consumer market recovery and frequent fluctuations in hog prices, the Group actively optimised its product structure, developed high value-added products, enhanced sales channels to boost marketing capabilities, emphasised cost control and operational efficiency improvements, and vigorously advanced brand-building to foster consumer trust. These initiatives have bolstered the Group's risk resilience and market competitiveness, ensuring steady and orderly business development.

Product Quality and Research & Development

In terms of product quality, the Group has always adhered to the principle of prioritising quality, treating food safety as the core value of the enterprise. Beginning at the hog procurement stage, the Group has implemented a stringent supplier screening mechanism to ensure safety from the source. Throughout the production process, rigorous monitoring is conducted at every stage, from slaughtering and cutting to processing and packaging. Additionally, professional testing teams with advanced testing equipment are employed to perform multiple rounds of inspections on each batch of products. These measures ensure the consumers receive safe, reliable, and nationally compliant products that meet quality standards.

In terms of research and development, during the Review Year, Harbin Dazhong Roulian Food Co., Ltd., a subsidiary of the Group, collaborated with Northeast Agricultural University on the project "Key Technologies for Quality Control of Specialty Meat Products and the Creation and Industrialization of Functional Meat Products (特色肉製品品質調控關鍵技術及功能性肉製品創製與產業化)", which was awarded the first prize in the Heilongjiang Provincial Science and Technology Progress Awards. The Group continues to strengthen technological innovation and commits to providing consumers with a broader and higher-quality selection of products. On one hand, the Group closely monitors market trends and changes in consumer demand, actively developing new products. On the other hand, it has significantly invested in research and the application of new technologies, collaborating with specialised research institutions to enhance product quality. These efforts ensure the consumers can enjoy delicious food while making healthier choices with greater peace of mind.

Sales and Distribution

During the Review Year, high value-added products such as chilled pork and low temperature meat products ("LTMP") played an important role in driving the overall business. In 2024, revenue of chilled pork of the Group were HK$479 million (2023: HK$835 million), decreased by 42.6% from last year, accounting for approximately 48% (2023: 59%) of the total revenue of the Group before inter-segment eliminations and approximately 87% (2023: 85%) of the revenue of the upstream slaughtering segment. Revenue of LTMP were HK$294 million (2023: HK$271 million), increased by 8.5% compared to last year, accounting for approximately 30% (2023: 19%) of the revenue of the Group before inter-segment eliminations and approximately 67% (2023: 61%) of the revenue of the downstream processed meat segment.

Production Facilities and Capacity

During the Review Year, the Group disposed of its shareholding in one of the subsidiaries under the upstream slaughtering segment. As a result, the annual production capacity of the Group for upstream slaughtering segment as at 31 December 2024 decreased by 1.00 million heads to approximately 2.35 million heads, compared with the annual capacity as at 31 December 2023. Additionally, due to the expiry of certain lease agreements for the Group's processed meat processing facilities by 31 December 2024, the operations associated with these leases were terminated accordingly. Hence, the annual production capacity for downstream processed meat segment decreased by 36,000 tons to 20,000 tons.

FINANCIAL REVIEW AND KEY PERFORMANCE INDICATORS

The Group recorded revenue of HK$992 million (2023: HK$1.411 billion) for the year 2024. During the Review Year, the loss attributable to equity holders was approximately HK$39 million (2023: HK$148 million). Basic and diluted loss per share was HK$0.021 (2023: HK$0.081).

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

REVENUE

Chilled and Frozen Pork

During the Review Year, in response to declining pork consumption, the Group strategically reduced production at certain facilities with lower profit margins to enhance overall efficiency. As a result, the slaughtering volume decreased by approximately 50.8% to approximately 250,000 heads, compared to the previous year. This decline affected the overall sales revenue from the upstream business before inter-segment eliminations decreased by 43.6% to HK$552 million (2023: HK$980 million). Among these, revenue from chilled pork was HK$479 million (2023: HK$835 million) and accounted for approximately 48% (2023: 59%) of the Group's total revenue before inter-segment eliminations and approximately 87% (2023: 85%) of the upstream business total revenue. The revenue of frozen pork amounted to HK$73 million (2023: HK$145 million), representing approximately 13% (2023: 15%) of the total revenue of the upstream business.

Processed Meat Products

During the Review Year, sales of processed meat products of the Group before inter-segment eliminations was HK$440 million (2023: HK$445 million), decreased slightly by approximately 1.1% compared to last year.

Among these, revenue from LTMP was HK$294 million (2023: HK$271 million), accounting for approximately 67% (2023: 61%) of the total revenue from processed products and serving as the primary source of income for the processed meat segment. Revenue from high temperature meat products ("HTMP") was HK$146 million (2023: HK$174 million), representing approximately 15% (2023: 12%) of the Group's total revenue before inter-segment eliminations and approximately 33% (2023: 39%) of the total revenue of the processed meat segment, respectively.

Gross Profit and Gross Profit Margin

During the Review Year, the Group focused on the HRL series brand business which had a higher gross profit margin. This resulted in a higher proportion of revenue from LTMP, driving the Group's overall gross profit margin up by 3.6 percentage points to 11.6% (2023: 8.0%). The Group's gross profit was HK$115 million (2023: HK$113 million), representing a 2.1% increase compared to last year.

For the upstream business, the gross profit margins for chilled pork and frozen pork were 1.1% and -2.6% respectively (2023: 2.0% and -3.5% respectively). The overall gross profit margin of the upstream segment was 0.6%, representing a decrease of 0.6 percentage point from 1.2% of last year.

In respect of the downstream processed meat segment, the gross profit margin for LTMP was 29.5% (2023: 29.4%), remaining largely unchanged from the previous year. The gross profit margin for HTMP slightly decreased by 0.6 percentage point from 17.9% in last year to 17.3%. The overall gross profit margin for the downstream business was 25.4%, an increase of 0.5 percentage point compared to 24.9% in last year.

Other Net Income/(Losses)

During the Review Year, the Group recorded other net income of approximately HK$96 million (2023: other net losses of HK$105 million). It was primarily attributable to the written-off lease liabilities, gain on extinguishment of debt, gain on disposal of property, plant and equipment and lease prepayments, as well as gain on disposal of a subsidiary, net of written-off value-added tax recoverable and written-off property, plant and equipment.

The Group had certain lease agreements matured by 31 December 2024. Given the current operational situation and cash flow, management decided not to exercise the options to purchase the underlying leasehold land and buildings, resulting in a gain of approximately HK$61 million from the written-off of lease liabilities.

During the Review Year, the Group reached a settlement agreement with a bank regarding an overdue loan. In accordance with International Financial Reporting Standard 9, a material modification of all or part of the terms of an existing financial liability shall be treated as extinguishment of the original financial liability and recognition of the new financial liability. The difference between the carrying amount of the original financial liability and the new financial liability, amounting to approximately HK$56 million, was recognised as a gain during the Review Year.

During the Review Year, the Group generated a gain of approximately HK$18 million from the disposal of equity interests in a subsidiary. As a result of this, approximately HK$35 million of value-added tax recoverable which cannot be utilised was being written-off.

Impairment Losses on Non-Current Assets

As at 31 December 2024, the Board evaluated the non-current assets of the Group in accordance with the requirements of the "International Accounting Standard 36 – Impairment of Assets" (IAS 36). With reference to the valuation assessment results of the recoverable amount of property, plant and equipment of those non-operating production bases conducted by an independent professional valuer, impairment losses of approximately HK$42 million was recognised for the Review Year. The impairment losses of non-current assets are accounting losses and non-cash items which do not affect the cash flow of the Group's operating activities.

Operating Expenses

Operating expenses included distribution expenses and administrative and other operating expenses. During the Review Year, operating expenses of the Group were HK$195 million (2023: HK$177 million), accounting for 19.7% (2023: 12.6%) of the Group's revenue, which included a provision for impairment losses on property, plant and equipment of approximately HK$42 million (2023: HK$56 million) and an one-off impairment of other receivables of approximately HK$60 million (2023: nil). Operating expenses after exclusion of two impairment losses amounted to HK$93 million, representing a decrease of approximately 23.0% compared to last year and accounting for 9.4% of the Group's revenue (2023: 8.6%). The reduction in operating expenses was primarily attributable to a decrease in sales volume, which led to a reduction in direct sales-related costs, coupled with a decline in both the number of employees and employee compensation during the Review Year.

Results of Operating Activities

During the Review Year, the Group's operating profit was approximately HK$16 million (2023: loss of approximately HK$170 million).

Net Finance Costs

During the Review Year, the net finance costs of the Group were approximately HK$52 million (2023: HK$38 million), representing an increase of 36.6% compared with 2023. The rise in net finance costs during the Review Year was primarily due to the additional provision for penalty interest resulting from a judgment issued by a court in the PRC at the end of 2023.

Income Tax

During the Review Year, the income tax credit was approximately HK$50,000 (2023: credit of approximately HK$7 million).

Loss Attributable to the Equity Holders of the Company

Taking into account the above factors, loss attributable to the equity holders of the Company during the Review Year was approximately HK$39 million (2023: HK$148 million).

FINANCIAL RESOURCES

As at 31 December 2024, the Group's cash and cash equivalents was HK$41 million, representing an increase of 4.3% as compared to HK$39 million as at 31 December 2023. Of this, approximately 93% (31 December 2023: 94%) was denominated in RMB, and approximately 3% (31 December 2023: 2%) was denominated in US Dollars ("USD"), with the remaining amount in other currencies.

As at 31 December 2024, the Group had outstanding bank borrowings of HK$444 million, representing a decrease of HK$24 million from HK$468 million as at 31 December 2023, of which HK$370 million of bank borrowings were due within one year. During the Review Year, the Group repaid bank borrowings of approximately HK$15 million. Please refer to the paragraph headed "Breach of Borrowings Agreements" below for the details regarding the Group's breach of borrowings agreements.

All borrowings were denominated in RMB, which was the same as the borrowings as of 31 December 2023. As at 31 December 2024, the Group's fixed-rate debt ratio was 94% (31 December 2023: 75%).

During the Review Year, The Group's net cash outflow was primarily attributable to net outflows from operating activities and the repayment of bank borrowings.

During the Review Year, the capital expenditure was approximately HK$14 million (2023: HK$14 million).

BREACH OF BORROWINGS AGREEMENTS

As at 31 December 2024, the Group could not fulfill certain covenants imposed by the bank on the bank borrowings of HK$344 million (31 December 2023: HK$437 million). All of these bank borrowings and the accrued interest of HK$251 million (31 December 2023: HK$263 million) were overdue.

The above bank borrowings were secured by corporate guarantees provided by certain restructuring companies. Such debts have been incorporated as part of the consolidated restructuring as mentioned in the Company's 2021 and 2022 annual financial reports. As disclosed in the Company's announcement dated 30 January 2022, the structuring 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 (being a subsidiary of the Group) in accordance with the respective loan agreements.

Subsequent to 31 December 2024 and up to the date of this report, the aforesaid bank borrowings had not been renewed. The Group has been closely communicated with the state-owned and national commercial bank in China regarding the remaining overdue bank borrowings with principal amount of HK$344 million to extend, renew and/or amend the term of the outstanding bank borrowings. During the course of communication, the Group was given to understand that the bank would not take any radical actions against the Group and all parties hoped that the Group can sustain normal operations. As such, the Board believes that the likelihood of immediate repayment demand is not high and the above matters do not have significant adverse impact on the operations of the Group.

ASSETS AND LIABILITIES

As at 31 December 2024, the total assets of the Group were HK$645 million (31 December 2023: HK$1.012 billion), representing a decrease of HK$367 million compared to 31 December 2023. The Group's total liabilities as at 31 December 2024 were HK$1.353 billion, a decrease of HK$348 million from HK$1.701 billion as at 31 December 2023.

As at 31 December 2024, the property, plant, and equipment of the Group amounted to HK$199 million (31 December 2023: HK$326 million), a decrease of HK$127 million from 31 December 2023. The decrease was mainly due to the provision of impairment losses of HK$42 million, the disposal of assets with a net book value of approximately HK$29 million, written-off property, plant, and equipment of approximately HK$22 million and depreciation charged during the Review Year.

As at 31 December 2024, the lease prepayments of the Group amounted to HK$35 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 disposal of assets during the Review Year.

Despite the net liabilities position as at 31 December 2024, the Group had non-current assets of approximately HK$239 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. With improvements in the domestic economic environment and the management's proactive efforts to enhance operational profitability and reduce borrowing pressure, the Group is expected to achieve long-term growth. The Directors are confident that they will restore the Group to a net assets position from its current net liabilities position.

As at 31 December 2024, the net current liabilities of the Group were HK$872 million (31 December 2023: HK$979 million), reflecting an improvement of approximately HK$107 million compared to 31 December 2023, driven by the management's efforts. Its current bank borrowings amounted to HK$370 million (31 December 2023: HK$446 million), while the cash and cash equivalents amounted to approximately HK$41 million (31 December 2023: HK$39 million).

As mentioned above, although the Group failed to fulfil certain contractual terms of an outstanding bank borrowings with principal amount of HK$344 million and the relevant bank has commenced litigation against the Group accordingly, the Group has been actively communicating with the relevant bank to discuss the renewal and waiver of the repayable on demand clause, and breach of the undertaking and restrictive covenant requirements. Meanwhile, the Group also endeavored to persuade this relevant bank to realise their rights as creditors within the relevant time frame under the consolidated restructuring plan. Based on the current progress of these negotiations, we consider the negotiations have been relatively positive. Given these, the Directors believe that the Group has sufficient financial resources to finance operations and to meet financial obligations as and when they fall due within the next twelve months from the end of the Review Year.

As the equity attributable to equity holders of the Company was a deficit of approximately HK$705 million, it is not appropriate to calculate the gearing level as at 31 December 2024.

CHARGES ON ASSETS

As at 31 December 2024, certain trade receivables of the Group with a carrying amount of approximately HK$17 million (31 December 2023: HK$13 million) were pledged against a bank borrowing with a total amount of approximately HK$27 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

Having considered the current operation and cash flow of the Group, the Board is more cautious on capital expenditure in 2025. It is currently expected that the preliminary approval of the plan to be approximately RMB15 million. The amount will be used mainly for the construction in progress already commenced, regular maintenance of factories, upgrading and technical transformation of equipment. As at the date of this report, the relevant budgets and plans have not yet been finalised, and the Group has not identified any specified goals or plans at this stage.

The Group did not hold any other significant investment nor had any substantial acquisition and disposal of subsidiaries or associated companies during the Review Year. As at the date of this report, the Group has no plan to make any significant investment in or acquisition of capital assets.

CONTINGENT LIABILITIES

As at 31 December 2024, there were outstanding litigations initiated by a bank in the PRC against a subsidiary of the Group demanding that subsidiary to repay the outstanding bank borrowings of approximately HK$344 million (31 December 2023: HK$437 million) immediately. The Group is negotiating with the bank to resolve such litigations. Save as disclosed above, the Group did not involve in any other material litigation or arbitration and did not have other material contingent liabilities.

In respect of the progress of the above, the Company will make further announcements in due course in accordance with the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as and when required.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

Other than purchases of certain equipment and materials and payment of certain professional fees in USD, Euros or Hong Kong dollars, the Group's transactions are mainly 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 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 2024, the Group had a total of approximately 1,000 (31 December 2023: approximately 1,000) employees in the PRC and Hong Kong. During the Review Year, total staff cost was HK$66 million, accounting for 6.6% of the revenue of the Group (2023: HK$99 million, accounting for 7.0% of revenue).

The Group firmly believes that the professional qualities, skill enhancement, and personal development of employees are key factors driving corporate progress. Therefore, the Group is committed to establishing an attractive compensation and benefits system to support employees' long-term development. In addition to offering competitive remuneration, the Group strictly implements retirement contributions schemes and various social security programs to fully safeguard employees' future interests. Moreover, the Group has introduced performance-based incentives, including discretionary bonuses and a share option scheme, to enhance employees' sense of belonging and motivate their active participation in the Company's development. At the same time, the Group places great emphasis on continuous learning and professional growth, providing comprehensive training programs for management and staff to continually improve their professional skills and expertise, helping them achieve greater success in their careers.

ENVIRONMENTAL POLICIES AND PERFORMANCE

As global climate issues become increasingly severe, the transition to a low-carbon economy has become an inevitable trend for future development. As a corporation with a strong sense of social responsibility, the Group recognises its duties and mission as a public company and actively implements environmental protection measures, striving to minimise the negative impact of its production and business activities on the environment.

During the Review Year, the Group adhered to green and low-carbon production methods and continued to increase investment in environmental protection and research and development. By adopting advanced production processes and optimising production workflows, the Group strictly controlled and reduced waste emissions throughout the production process, steadily promoting the green transformation and upgrade of the enterprise. In the future, the Group will continue to uphold the philosophy of green development, deeply integrate the concept of energy saving and green production into its corporate culture, and contribute to the implementation of the national low-carbon development strategy through concrete actions.

BIOGRAPHICAL DETAILS OF DIRECTORS

EXECUTIVE DIRECTORS

Ms. Zhu Yuan, aged 38, has been appointed as an executive Director, the Chairman of the Board, the Chief Executive Officer, a member of both the Nomination Committee and Remuneration Committee and an authorised representative of the Company effective from 28 March 2019. Ms. Zhu obtained a bachelor's degree of commerce in business economics and finance from The University of New South Wales and a master's degree of business administration from The University of Technology, Sydney. She has passed papers 1 and 6 in the Licensing Examination for Securities and Futures Intermediaries. Ms. Zhu has 12 years of working experience in management, human resources, finance analysis and investment. Ms. Zhu is a Director of 南京中央商場(集團)股份有限公司(Nanjing Emporium (Group) Co. Ltd.) which is listed on the Shanghai Stock Exchange. Ms. Zhu is the daughter of Mr. Zhu Yicai, a substantial shareholder of the Company.

Mr. Yang Linwei, aged 56, joined the Group in March 1996 and is a vice president of the Group. He has 29 years of experience in the meat products industry. Mr. Yang was appointed as an executive Director of the Company with effect from 20 June 2016.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Gao Hui, aged 56, has been an independent non-executive Director of the Company since April 2005. He is a certified public accountant in the PRC and certified tax advisor in the PRC. Mr. Gao is the chairman and general manager of Jiangsu Jinling Certified Public Accountants Company Limited and the general manager of Jiangsu Jinling Engineering Consulting and Management Company Limited. Mr. Gao graduated from Jiangsu Radio and TV University specialised in finance and accounting.

Mr. Chen Jianguo, aged 64, has been an independent non-executive Director of the Company since January 2010. He is a practising lawyer in the PRC and has been a partner of 江蘇金大律師事務所 (Jiangsu Jinda Law Office) since January 2003. Mr. Chen graduated from Fudan University with specialisation in economic law and obtained a master's degree in economic law from the Graduate School of The Chinese Academy of Social Sciences.

Ms. Xu Xinglian, aged 62, has been an independent non-executive Director of the Company with effective from 18 April 2023. She is a professor and supervisor to doctoral students of Nanjing Agricultural University in China. Ms. Xu is an academic in food science with over 30 years of teaching experience in meat processing, and quality and safety control. Ms. Xu obtained a bachelor's degree and a master's degree in agriculture from Nanjing Agricultural University in 1985 and 1997, respectively, and a doctorate of engineering in food science from Nanjing Agricultural University in 2003.

CORPORATE GOVERNANCE PRACTICES

China Yurun Food Group Limited (the "Company", together with its subsidiaries, the "Group") is committed to achieving high standard of corporate governance to safeguard shareholders' interest and to enhance corporate value and accountability. Throughout the year from 1 January 2024 to 31 December 2024 (the "Review Year"), the Company has complied with all applicable code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") (the "Listing Rules"), except for the following deviation:

Code provision C.2.1 of the CG Code provides that 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 (the "Board") of directors (the "Directors") and the 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 would source and appoint suitable individual to take up the role of Chief Executive Officer.

The following summarises the Company's corporate governance practices during the Review Year.

THE BOARD

The Company is managed through the Board which currently comprises five Directors including, Zhu Yuan (Chairman and Chief Executive Officer), and Yang Linwei as executive Directors and Gao Hui, Chen Jianguo and Xu Xinglian as independent non-executive Directors. The biographical details of the Board members are set out on page 16 of this annual report. All Directors as at the date of this annual report served throughout the Review Year.

The Board, led by its Chairman and the Chief Executive Officer, is responsible for approving and monitoring the Group's overall strategies and policies, approving annual budgets and business plans, evaluating the performance of the Group, and supervising the management. The Chairman and the Chief Executive Officer also leads the Board to ensure that it acts in the best interests of the Company and its shareholders. To facilitate effective management, the Board has delegated certain functions to various Board committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee. Each of these Board committees operates under clearly defined written terms of reference. The terms of reference of the Board committees are available on the websites of the Company and the Hong Kong Stock Exchange. Chairman of the respective Board committees will report to the Board on issues discussed and concluded at the respective committee meetings.

The Chairman and the Chief Executive Officer ensures that the Board works effectively and objectively and all decisions are made in the interest of the Group and all key and appropriate issues are discussed by the Board members in a timely and effective manner. If a Director or his/her associate has a conflict of interest in a matter to be considered by the Board, he/she must declare such interest at the Board meeting. If the Board determines such interest to be material, the relevant Director must abstain from voting and shall not be counted in the quorum present at such Board meeting. The Chairman and the Chief Executive Officer has appointed the Company Secretary to prepare agenda for each Board meeting and to ensure that all Directors are properly briefed on issues to be discussed at Board meetings and receive adequate and accurate information in a timely manner. The Company Secretary, Lee Wing Sze, Rosa, is a member of the Hong Kong Institute of Certified Public Accountants and a fellow of the Association of Chartered Certified Accountants. Ms. Lee has duly complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules during the Review Year.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Board delegates the day-to-day operational responsibilities to the executive management team under the leadership of the Chairman and the Chief Executive Officer. The Chairman and the Chief Executive Officer, working together with the executive management team, is responsible for the business operation of the Group, including implementation of the strategies adopted by the Board.

The Chairman of the Board and Chief Executive Officer is Zhu Yuan. She focuses on the overall corporate development and high-level strategic directions of the Group, provides leadership to the Board and oversees the efficient functioning of the Board.

The executive Directors have extensive experience in the food industry while the independent non-executive Directors are well established in their respective professions. The Board consists of members with diversified background, professional expertise and experience to meet the business requirements of the Group, and as a team, provides the Group with core competencies such as industry knowledge, technical expertise, business management experience and knowledge in finance, accounting, business and laws.

Independent non-executive Directors are selected according to the skills and experience required by the Board. They introduce an element of independence to the Board and contribute to the development of the Group's strategies and policies by providing their independent, constructive and informed opinions. One of the independent non-executive Directors, Gao Hui has appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10 of the Listing Rules. The Company has received an annual confirmation of independence from each of the independent non-executive Directors, and the Board considered that each of the independent non-executive Directors has satisfied the independence criteria set out in Rule 3.13 of the Listing Rules.

In order to enable the Directors to discharge their duties effectively, each Director has separate and independent access to members of the management to make enquiries or obtain necessary information. Directors may also seek advices and services from external experts and consultants at the Company's expense for the purpose of facilitating them to make an informed decision. The independent non-executive Directors are not involved in daily management and they give independent views on the deliberations of the Board.

In accordance with the Bye-laws of the Company, all Directors appointed by the Board to fill a casual vacancy or as an addition to the existing Board shall hold office until the conclusion of the next following general meeting of the Company subsequent to their appointments and shall then be eligible for re-election. All Directors shall be subject to retirement by rotation at least once every three years in accordance with Code provision B.2.2 of the CG Code and the Bye-laws of the Company.

Each independent non-executive Director is appointed for a fixed term of three years according to the respective letter of appointment.

The members of the Board (including the Chairman and the Chief Executive Officer) do not have any relationship (including financial, business, family and other material/relevant relationships) with each other as required to be disclosed pursuant to the CG Code.

The Company has maintained appropriate insurance coverage for Directors' and executive officers' liabilities arising from the Group's business. The coverage is reviewed by the management on an annual basis.

During the Review Year, the Board held four regular meetings at approximately quarterly intervals to discuss overall strategy as well as operations and financial performance of the Group. It also held several ad hoc meetings as and when required. The attendance of the regular Board meetings, the Board committee meetings and the annual general meeting during the Review Year are as follows:

	Number of regular Board meetings, Board committee meetings and annual general meeting attended/held during the Review Year				
	Board*	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**Annual General Meeting**
Executive Directors					
Zhu Yuan (Chairman and Chief Executive Officer)	4/4	N/A	1/1	1/1	1/1
Yang Linwei	4/4	N/A	N/A	N/A	1/1
Independent Non-executive Directors					
Gao Hui	4/4	4/4	1/1	1/1	1/1
Chen Jianguo	4/4	4/4	1/1	1/1	1/1
Xu Xinglian	4/4	4/4	N/A	N/A	1/1

* *Ad hoc meetings are not included*

DIRECTORS' TRAINING AND CONTINUOUS PROFESSIONAL DEVELOPMENT

Every Director fully observes his or her responsibilities as a Director of the Company and keeps abreast of the conduct, business activities and development of the Company. Directors are continually updated with regulatory and governance developments. They are encouraged to participate in professional development courses and seminars to develop and refresh their knowledge and skills. The Company has devised a training record to assist the Directors to record and monitor the training they have undertaken on an annual basis.

During the Review Year, the Company provided all members of the Board with monthly updates on the Company's performance, financial position and prospects. In addition, all Directors have been given relevant guidance materials regarding the duties and responsibilities of being a director and have been updated on the latest major developments regarding the Listing Rules, the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong) ("SFO") and other applicable regulatory requirements to ensure compliance and enhance their awareness of good corporate governance practice.

Each newly appointed Director (if any) is provided with a comprehensive induction program and relevant materials to ensure a thorough understanding of the Company's business, as well as his or her responsibilities under applicable statutes, laws, rules and regulations.

BOARD COMMITTEES AND CORPORATE GOVERNANCE FUNCTIONS

The Board has established an Audit Committee, a Remuneration Committee and a Nomination Committee, each with defined terms of reference in line with the CG Code since the Company's shares were listed on the Hong Kong Stock Exchange. The written terms of reference of the Audit Committee, Remuneration Committee and Nomination Committee are periodically reviewed by the Board to keep them in line with the most up-to-date requirements, are available on the websites of the Company and the Hong Kong Stock Exchange.

The Board has delegated corporate governance responsibilities to the Audit Committee, which is responsible for performing the corporate governance duties as set out in the CG Code which include developing and reviewing the Company's policies and practices on corporate governance (including those on compliance with legal and regulatory requirements), monitoring the Company's compliance with the CG Code and reviewing the disclosure in this Corporate Governance Report.

The Board has also delegated the risk management and internal control duties to the Audit Committee and the Audit Committee is responsible for assisting the Board to evaluate and determine the nature and extent of the risks the Board is willing to take in achieving the Group's strategic objectives, ensuring that the Group establishes and maintains appropriate and effective risk management and internal control systems, and assisting the Board to oversee management in the design, implementation and monitoring of the risk management and internal control systems as set out in the CG Code.

Details of these Board committees, including their compositions, major responsibilities and functions, and works performed during the Review Year are set out in the table below:

	Audit Committee	Remuneration Committee	Nomination Committee
Committee members	Gao Hui* *(Chairman)* Chen Jianguo* Xu Xinglian*	Gao Hui* *(Chairman)* Chen Jianguo* Zhu Yuan+	Chen Jianguo* *(Chairman)* Gao Hui* Zhu Yuan+
Major responsibilities and functions	• To serve as a focal point for communication among the Directors, the external auditors and the management in connection with its duties relating to financial and other reporting, risk management, internal controls and audits • To assist the Board in fulfilling its responsibilities by providing an independent review of the financial reporting function, assessing the effectiveness of the Company's risk management and internal control systems and the efficiency of the audit function • To perform the corporate governance duties which include developing and reviewing the Company's policies and practices on corporate governance, reviewing the Company's compliance with the CG Code and reviewing the disclosure in the Corporate Governance Report and reviewing and monitoring the training and continuous professional development of the Directors and senior management	• To make recommendations to the Board regarding the Group's policy and structure for the remuneration and other benefits for Directors by reference to the Group's corporate goals and objectives • To determine the remuneration packages of individual executive Directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and terms of the executive Directors' service contracts	• To review the structure, size and composition (including skills, knowledge, experience and diversity) of the Board at least annually and make recommendations on any proposed changes to the Board to align with the Company's corporate strategy • To identify and nominate for the approval of the Board candidates to fill Board vacancies as and when they arise • To assess the independence of the independent non-executive Directors • To make recommendations to the Board on the succession planning for Directors and senior management of the Group

* *Independent non-executive Director*
\+ *Executive Director*

	Audit Committee	Remuneration Committee	Nomination Committee
Work performed during the Review Year	• Reviewed the Group's annual and interim financial statements before submission to the Board for approval • Reviewed the independence of the external auditor in connection with their provision of non-audit services to the Group and approved their remuneration and terms of engagement • Reviewed the effectiveness of the Group's financial management, internal control and risk management systems, including the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and their training programs and budget • Reviewed the continuing connected transactions of the Group • Reviewed the Company's compliance with the CG Code and disclosure in the Corporate Governance Report • Reviewed and monitored the training and continuous professional development of the Directors and senior management • Made recommendation to the Board on the re-appointment of external auditor	• Reviewed remuneration policy and remuneration for the Directors	• Reviewed and recommended the structure, size and composition of the Board • Reviewed the performance of the independent non-executive Directors • Reviewed the independence of the independent non-executive Directors • Reviewed and recommended on the suitability for the re-appointment of the Directors retiring at the annual general meeting with reference to their past performance

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix C3 to the Listing Rules as its own code of conduct regarding securities transactions of the Directors. The Company has made specific enquiries with all Directors who have confirmed that they have complied with the required standards set out in the Model Code throughout the Review Year.

REMUNERATION POLICY

The Remuneration Committee has to consult the Chairman and the Chief Executive Officer of the Company about its proposals relating to the remuneration of the Directors. The remuneration structure for the executive Directors consists of two key elements, namely fixed salary and discretionary incentive bonus. Fixed salary and other allowances are determined by reference to the remuneration benchmark in the industry and the prevailing market conditions. The discretionary incentive bonus, which comprises cash bonus and share options granted under the Company's share option scheme, is performance-based and is payable and granted upon achievement of individual and corporate performance targets as determined by the Board from time to time.

NOMINATION POLICY

The Nomination Committee adopts certain criteria and procedures in the selection and nomination of candidates of new Directors. The criteria include but are not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service, in particular experience in the Group's industry, and recommendations from the management team and other knowledgeable individuals.

Upon considering a candidate suitable for the directorship, the Nomination Committee will hold a meeting and/or by way of written resolutions to, if thought fit, approve the recommendation to the Board for appointment. The Nomination Committee will also provide the relevant information of the selected candidate to the Remuneration Committee for consideration of the remuneration package of such selected candidate. The Nomination Committee will thereafter make the recommendation to the Board in relation to the proposed appointment, and the Remuneration Committee will make the recommendation to the Board on the policy and structure for the remuneration, for detail discussion and final approval by the Board.

BOARD DIVERSITY POLICY

The Board has adopted a Board diversity policy on 29 August 2013 setting out the approach to achieve diversity of members of the Board. The Company recognises and embraces the benefits of diversity of Board members. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard to the benefits of diversity on the Board. Selection of candidates will be based on a range of diversity perspectives, including but not limited to, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be made upon the merit and contribution that the selected candidates will bring to the Board. In determining the Board's composition, the Company will also take into account factors based on its own business model and specific needs from time to time. The Nomination Committee will review the implementation and effectiveness of the Board diversity policy on an annual basis, to ensure its effectiveness and continue to give adequate consideration to the above measurable objectives when making recommendations of candidates for appointment to the Board.

As at the date of this report, the Board comprises five Directors. Three of them are independent non-executive Directors, thereby promoting critical review and control of the management process. The Board is also characterised by significant diversity, whether considered in terms of gender, age, educational background, professional experience, skills, knowledge and length of service. The Company have three independent non-executive Directors with different industry background, including accounting, legal and food engineering experience. Furthermore, our Directors are of a wide range of age, from 38 years old to 64 years old. The Company also recognises the particular importance of gender diversity. Our Board currently comprises two female Director and three male Directors. The biographical details of the Board members are set out on page 16 of this annual report.

The Company is committed to promoting gender diversity when recruiting staff at mid to senior level ensuring a strong pipeline of female senior management and potential successors to the Board. Our objective is to maintain an appropriate balance of gender diversity, aligning with shareholder expectations and international and local recommended best practices.

AUDITORS' REMUNERATION

Details of the fees paid or payable to the Group's external auditors for the Review Year are as follows:

Services provided	**Fees**
	HK$'000
2024 annual audit	1,250
Non-audit services*	550
Total	1,800

* *Non-audit services primarily include work performed for preliminary results announcement and interim report.*

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges that it is responsible for maintaining appropriate and effective risk management and internal control systems (the "Systems"). The Systems are designed to manage rather than eliminate risks of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The Board confirmed that the Systems were in place and were effective throughout the Review Year.

Objectives of the Systems

The Systems are established with objectives of reasonably assuring that the shareholders' interest and the assets of the Group are safeguarded, operational controls are in place, business risks are properly managed, accounting records and financial information are kept, and, where appropriate, the relevant laws and regulations and best practices are observed.

Risks and control measures

The Group's business, financial conditions and results may be affected by risks and uncertainties pertaining to the Group's business. Certain significant risks have been identified by the Group through the process of risk identification and assessment. Such significant risks and their respective control measures are set out below:

Material risks relating to our business

Our business may be affected by economic climate and individual market performance

The sales and performance of the Group are influenced by the relationship between economic conditions, consumer confidence and consumption patterns. In particular, economic growth or decline in our geographic markets can impact consumers' expenditure on meat products, which in turn affects our business.

To mitigate these risks, the Group continues to expand and strengthen its presence across various geographic markets, reducing reliance on any single market. Regular sales reports and market analyses are conducted to ensure performance trends can be closely monitored and effectively managed.

If there is any interruption to the supply of hogs, raw pork or other major raw materials or decline in their supply or quality, our business may be materially and adversely affected.

Hogs and raw pork are the primary raw materials used in both our upstream and downstream production segments respectively. We source hogs and part of the raw pork from certain third party suppliers. However, these suppliers may not always be able to provide a consistent and sufficient supply to meet our current and future production needs. Hog supply is subject to the output of pig farms, which may be affected by outbreaks of diseases or epidemics. Any interruption of or decline in hog or raw pork supply or decline in their quality could materially disrupt our production and adversely affect our business. In addition to hogs and raw pork, we also purchase from third party suppliers the auxiliary materials and packaging materials for our production. Any interruption of the decline in auxiliary materials or packaging materials supply or decline in their quality may also disrupt our production and adversely affect our business.

The Group has always emphasised the quality and supply of raw materials and adopted a number of measures to ensure the stability and sustainability of the supply chain, including:

- We negotiate with at least three or more suppliers on the supply of hogs, raw pork or other major raw materials. We monitor the source of our major raw materials and the rationality of procurement ratio of each supplier on a timely basis;

- According to the sales market forecast, we maintain inventory at reasonable level for different raw materials to deal with emergencies;

- The cooperation agreements signed by the Group and the suppliers include the provisions of quality and safety and stable supply of raw materials in order to reduce the relevant risks;

- We visit the production sites of the suppliers regularly to understand their operation and to ensure that the quality of raw materials and the production capacity of suppliers are truly assessed; and

- We pay attention to media news, in particular the news of our key suppliers in respect of their possible financial, business and quality problems, and develop contingency plan to cope with unexpected disturbances of raw materials supply.

Our business is sensitive to the impact of further increase in raw materials price (particularly hogs and raw pork) and other operating costs. We may not be able to fully transfer the rising costs to our customers, particularly customers of our processed meat products.

We purchase agricultural products, such as hogs and raw pork, for production use. Price of such raw materials is subject to fluctuations, attributable to a number of factors, such as diseases, inflections and the price of animal feed. During the Review Year, the Group's average purchase price of hogs fluctuated ranging from approximately RMB14.66 to RMB20.67 per kilogram. If the costs of raw materials or other costs of production and distribution of our products further increase and we are unable to entirely offset the cost increase by raising our product price, our profit margins and financial condition may be adversely affected.

In view of the fluctuation of raw material prices, the Group has formulated different plans for upstream and downstream segments to reduce its cost pressure:

- Upstream slaughtering segment: The price of fresh meat varies along with the price of hogs. When the price of hogs is expected to rise, the Group will increase the stock of hogs to increase the value of product. When the price of hogs is expected to drop, the Group will reduce the stock to minimise the inventory cost.

- Downstream processed meat segment: We control the costs through strategic inventory management of raw materials which is based on predictions of market trend and thus allowing a reasonable time to adjust selling price of the products.

If the chilled and frozen pork market in China does not grow as we expect or we are unable to predict the changes in consumer preferences for processed meat products, demand for our products may decline.

If the chilled and frozen pork market in China does not grow as we expect, our business may be harmed, our growth strategy may need adjustment and our results of operation may be adversely affected. Our continued success in the processed meat products market, to a great extent, depends on our ability to correctly predict, and develop products to satisfy consumers' ever-changing tastes, diet and preferences. If we are not able to predict or identify new consumption trends and develop new products accordingly, demand for our products may decline and our operating results may be adversely affected. In addition, we may incur significant costs in developing and marketing new products or expanding our existing production lines in response to the consumer preference or demand we perceive. Such development or marketing, even launched, may not result in the expected market acceptance, sales volume or profitability.

With respect to the research, development and promotion of new products, the Group has been adopting a three-steps prudent approach which involves initial test, advanced test and production, to gradually launch products which can meet market demands. At the same time, according to the analysis on sales performance of each product, some products will be eliminated from time to time due to low volume of sales, low profit margin and no market potential. We continue to maintain our premium quality through product improvement and innovation of new products.

We require various licences and permits to operate our business, and if we fail to renew any or all of these required licences and permits, our business may be materially and adversely affected.

In accordance with the relevant laws and regulations of the PRC currently in force, we are required to obtain various licences and permits in order to operate our business, including, without limitation to, a slaughtering permit in respect of each of our chilled and frozen pork production facilities or a permit for production of industrial products in respect of each of our processed meat production facilities. We are required to comply with the applicable hygiene and food safety standards in relation to our production processes. Our factories are subject to regular inspections by the regulatory authorities for compliance with the applicable laws and regulations. In the event of failure to pass these inspections or loss of or failure to renew our necessary licences and permits, the regulatory authorities may require us to suspend or close some or all of our production or distribution operations, which may disrupt our operations and adversely affect our business.

We understand the importance of obtaining applicable licenses and permits for our business. We continue to improve our production management system in order to ensure compliance with laws and regulations of the country or region governing the production and operation. We have dedicated staff to make regular inspection and give guidance to our factories, and update or procure the factories to update the renewal status of licenses every month.

Financial risks

In the course of our business activities, the Group is exposed to various financial risks, including market risks, liquidity risks and credit risks. The monetary environment and interest rates cycles may pose significant risks to the Group's financial condition, operating results and businesses. Details of the financial risk management of the Group are set out in note 32 to the consolidated financial statements.

The Group is in net liabilities position as at 31 December 2024 and there is a risk that the Group cannot meet its financial obligations as and when they fall due. The Group still had adequate non-current assets to support its daily production and operations. Our Directors believe that this net liabilities position has not materially impaired the Group's ability to continue its daily business operations.

Litigation risks

In the course of our business activities, the Group is exposed to various litigation risks, for details, please refer to the section "Contingent Liabilities" in "Management Discussion and Analysis".

Material risks relating to our industry

The hog slaughtering and processed meat industries in China are subject to extensive governmental regulations and policies, and changes in the relevant regulations and policies may affect our business.

The hog slaughtering and processed meat industries in China are strictly regulated by a number of governmental authorities, including primarily the Ministry of Agriculture and Rural Affairs, the Ministry of Commerce, the State Administration of Market Regulation, and the Ministry of Ecology and Environment. These regulatory authorities have extensive discretion and authority to regulate the hog slaughtering and processed meat industries in China in many aspects, including, without limitation to, setting hygiene standards for production and quality standards for processed meat products. If the Group fails to comply with the standards set by the relevant regulatory authorities or such standards result in increase in our production costs and product prices which render our products less competitive, our ability to sell products in China may be limited.

The Group's management and operation policies closely follow the directions of the government to minimise the risk of deviation. At the same time, we keep close contact with major government departments, keep abreast with the industry development and actively participate in the making of industry policies, laws and regulations in order to prevent the adverse impact on the sudden change of any policies.

The outbreak of animal diseases or other epidemics may adversely affect our operations.

The outbreak of serious animal diseases, such as African Swine Fever, foot-and-mouth disease and blue ear pig disease, or other epidemics in China affecting animals or humans might also result in material disruptions to the operations of our customers or suppliers, sluggish performance of supermarket or food retail industry or slowdown in economic growth in China and surrounding regions, and any of which could have a material adverse effect on our operations and revenue. However, there is no assurance that our production facilities or products will not be affected by the outbreak of animal diseases or other epidemics, or that the market demand for pork products in China will not decline due to the concerns about the disease. In either case, our business, results of operations and financial condition may be adversely and materially affected.

The hogs purchasing department and quality management department of the Group keep monitoring the epidemic situation, enhancing the inspection and quarantine and reducing or even suspending the purchase from the infected region to minimise the potential impact of the outbreak of animal diseases or other diseases.

Food safety risks

The sale of food products for human consumption carries inherent risks of causing harm to consumers. These risks may arise from disruption caused by unauthorised third parties or from product contamination and spoilage. Potential hazards include, but are not limited to, external contaminants, chemical residues, or other harmful substances that may be introduced at various stages of procurement and production. Although our products undergo governmental inspections and comply with relevant laws and regulations, there is no assurance that the raw materials or products of the Group will remain uncontaminated throughout the production, transportation, distribution and sales processes. Factors beyond our control or unknown to us may still pose risks. If our products become contaminated or spoiled or otherwise damaged, a product recall may be necessary. Such incidents could lead to product liability claims, negative media coverage or government investigations. Any of these situations may harm our reputation, corporate image and brand value, ultimately having a material adverse impact on our business operations.

Yurun Food has been adhering to its operation philosophy of "you trust because we care" and is the first player in the industry to launch the "21 procedures on inspection and quarantine of the quality control system". Starting from the rapid screening of hogs, we have professional staff conducting the urine and blood tests. When the hogs are slaughtered, batch inspection is implemented online. The slaughtering line does not accept hogs failing the online ELISA test or professional tests such as PCR. Each hog is marked with a unique "inspection and quarantine and tracing" bar code and all products supplied to the market are qualified.

On the production and processing of food, we have been proactively introducing the advanced meat processing equipment from Europe. Every stage of the food production (from pre-treatment of raw food products, seasoning, filling, cooking to packaging) is carried out by a closed and automatic operation to minimise the likeliness of contamination arising from manually operated system as well as to keep a qualified hygienic environment for meat processing.

We ensure that each batch of products undergoes chemical and microbiological examinations before leaving the factory. The Group's testing capabilities have been accredited by the Quality Assessment Committee of the China Quality Inspection Association and have obtained the China Metrology Accreditation Certificate (CMA Certificate).

In order to assure food quality, all subsidiaries of the Group have implemented a three-step management measure before products are despatched from the factory. First, physical inspections are conducted using metal detectors and X-ray machines. Second, a professional team inspects each product before distribution. Third, each batch of end-products undergoes chemical and microbiological examinations to ensure food safety.

Additionally, all transportation vehicles are equipped with temperature measurement and control instruments. Temperature and other key data are automatically recorded in real time by the control center through an automated monitoring system, which includes Global Positioning System (GPS) tracking, to ensure continuous temperature monitoring throughout transportation.

INTERNAL CONTROL STRUCTURE

The Board is responsible for ensuring appropriate and effective Systems, and determining the nature and extent of the risks it is willing to take in achieving the strategic objectives of the Company. It also monitors and takes measures to mitigate risks in day-to-day operations, and gives prompt responses to the findings on risk management and internal control matters raised by the Group's Internal Audit Department or external auditors.

The Board delegates to the Audit Committee the responsibilities of monitoring and reviewing the effectiveness of the Systems, and ensuring that the management performed its duty to maintain effective operation of the Systems. The Audit Committee reviews the reports submitted by the Internal Audit Department and the issues relating to risk management and internal controls of the Group, and evaluates the effectiveness of the Systems, which is then discussed and reviewed by the Board periodically every year.

The Internal Audit Department, consisting of qualified and experienced staff, carries out internal audit according to the internal audit plan reviewed and approved by the Audit Committee, and reports its audit findings and recommended remedial actions to the Audit Committee directly. This is done by conducting interviews with the management, reviewing relevant documentation and evaluating various material internal control aspects, including financial, operational and compliance controls with an aim of minimising the overall business and operational risks of the Group. It identifies key risk areas and develops appropriate control measures and management actions for improvement. The internal control reports are submitted by the Internal Audit Department to the Audit Committee for review and the audit findings and recommendations therein are discussed at the Audit Committee meetings and Board meetings.

During the Review Year, the Board, with the assistance of the Audit Committee and the Internal Audit Department, reviewed the effectiveness of the Systems of the Group, including financial, operational and compliance controls, and risk management functions, the adequacy of resources, qualifications and experience of staff of the Group's accounting, internal audit and financial reporting functions and their training programmes and budget. The Board and the Audit Committee considered that the key areas of the Systems of the Group are reasonably and effectively implemented.

An environmental, social and governance ("ESG") Working Group has been established to assist the Board in coordinating and supervising the Group's ESG related matters, establishing ESG management policies and strategies, and identifying and assessing ESG matters (including risks) related to the Group. Our ESG Working Group comprises of senior management members of our subsidiaries.

Internal Control policies

Crisis management policies

Procedures of crisis management policies have been put in place in order to respond swiftly and positively to any sudden event that may affect consumers' confidence in the Group.

Policies on inside information

With respect to the procedures and internal controls for handling and dissemination of inside information, the Company is aware of its obligations under Part XIVA of the SFO and the Listing Rules, and has established the inside information disclosure policy with close regard to the Guidelines on Disclosure of Inside Information issued by the Securities and Futures Commission.

Policies on whistleblowing

The Company considers whistleblowing channels as a useful means in identifying possible misconduct or fraud risks of a particular operation or function by encouraging employees to raise concerns in good faith. It has delegated the Audit Committee to be responsible for monitoring and reviewing the effectiveness of the whistleblowing policy and system periodically.

The Company has adopted a whistleblowing policy setting out the principles and procedures to guide the Directors, employees of the Company and persons dealing with the Company in reporting cases of possible irregularities and misconduct in a fair and proper manner. According to the whistleblowing policy, concerns can be raised either verbally or in writing to the chairman of the Audit Committee or the Chairman of the Board (if the report concerns the chairman of the Audit Committee or a member of the Audit Committee). Upon receiving the report, the chairman of the Audit Committee or such other person as designated by the Audit Committee shall discuss the report with the Audit Committee (unless the report concerns the Audit Committee) to evaluate if an investigation is warranted. If an investigation is considered necessary, the chairman of the Audit Committee or such other person as designated by the Audit Committee shall conduct an investigation to establish whether any misconduct has occurred. The chairman of the Audit Committee or such other person as designated by the Audit Committee shall report findings of an investigation to the Audit Committee. On the basis of the findings, the Audit Committee shall make recommendations to the Board on actions to be taken. If the investigation concerns the Audit Committee, findings of the investigation shall be reported to the Chairman of the Board. Where there is evidence of a possible criminal offence, the matter should be referred to the relevant authorities for further action.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the consolidated financial statements of the Group.

With the assistance of the Finance Department of the Group, the Directors have ensured that the consolidated financial statements of the Group are prepared in accordance with the statutory requirements and the applicable accounting standards. The Directors have also ensured that the consolidated financial statements of the Group are published in a timely manner in accordance with the applicable laws and regulations.

The responsibility statement of the auditor of the Company in connection with the consolidated financial statements of the Group is set out in the Independent Auditor's Report on pages 51 to 52 of this annual report.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company has adopted a Shareholders Communication Policy with the objective of ensuring that the Company's shareholders are provided with ready, equal and timely access to balanced and comprehensible information about the Company.

The Company aims at providing its shareholders and potential investors with high standards of disclosure and financial transparency. The Board has appointed certain senior management personnel to be responsible for handling investor relations matters and also maintained close connection with international investors through teleconferences if necessary.

The Company makes use of various communication channels to keep its shareholders and potential investors abreast of the Group's business and latest development, such as publication of annual and interim reports, circulars to shareholders and announcements in a timely manner in accordance with the requirements of the Listing Rules. These publications are also available on the websites of the Company and the Hong Kong Stock Exchange. Annual general meeting is also one of the principal channels to communicate with the shareholders. The Company's investor relations webpage is regularly reviewed, improved and updated so as to include all key information. The Company believes that the interactive communications with investors can help enhancing corporate transparency and the Company's potential and actual value can be better understood by the market.

During the Review Year, the Board reviewed the effectiveness of the Shareholders Communication Policy, including its objectives and implementation. The Board considered that the objectives of the Shareholders Communication Policy are reasonably and effectively implemented.

During the Review Year, there was no significant change in the Company's constitutional documents.

SHAREHOLDERS' RIGHTS

(i) Convening a special general meeting ("SGM")

Pursuant to the Bye-laws of the Company and the Bermuda Companies Act 1981, shareholders holding at the date of deposit of the requisition not less than one-tenth (i.e. 10%) of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition sent to the Board or the Company Secretary of the Company, to require a SGM to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. The written requisition must state the purposes of the meeting, signed by the requisitionists and may consist of several documents in like form, each signed by one or more requisitionists.

If the requisition is in order, the Company Secretary will ask the Board to convene a SGM by serving sufficient notice in accordance with the statutory requirements to all the registered shareholders. On the contrary, if the requisition is invalid, the requisitionists will be advised of this outcome and accordingly, no SGM will be convened as requested.

If the Board does not proceed duly to convene a SGM within twenty-one days from the date of the deposit of the requisition, the requisitionists, or any of them representing more than half of the total voting rights of all of them, may themselves convene a SGM, but any meeting so convened shall not be held after the expiration of three months from the said date of the deposit of the requisition.

(ii) Putting forward proposals at general meetings

Pursuant to the Bermuda Companies Act 1981, any number of the registered shareholders holding not less than one-twentieth (i.e. 5%) of the paid-up capital of the Company carrying the right of voting at general meetings of the Company, or not less than 100 of such registered shareholders, can request the Company in writing to (a) give to shareholders entitled to receive notice of the next general meeting notice of any resolution which may properly be moved and is intended to be moved at that meeting; and (b) circulate to shareholders entitled to receive notice of any general meeting any statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting.

The requisition signed by all the requisitionists must be deposited at the registered office of the Company with a sum reasonably sufficient to meet the Company's relevant expenses and not less than six weeks before the meeting in case of a requisition requiring notice of a resolution or not less than one week before the meeting in the case of any other requisition. Provided that if an annual general meeting is called for on a date falling within six weeks or less after the requisition has been deposited, the requisition, though not deposited within the time required, shall be deemed to have been properly deposited for the purposes thereof.

(iii) Proposing a person for election as a Director

Pursuant to the Bye-laws of the Company, if a shareholder, who is duly qualified to attend and vote at the general meeting convened to deal with appointment/election of Director(s), wishes to propose a person (other than the shareholder himself/herself) for election as a Director at that meeting, such shareholder can deposit a written notice at the Company's head office at 10 Yurun Road, Jianye District, Nanjing, the PRC or at the Company's branch share registrar, Tricor Investor Services Limited, at 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong, for the attention of the Board or the Company Secretary of the Company.

In order for the Company to inform all shareholders of that proposal, the written notice must state the full name of the person proposed for election as a Director and his/her biographical details as required by Rule 13.51(2) of the Listing Rules and be signed by the shareholder concerned and that person indicating his/her willingness to be elected.

The period for lodgment of such a written notice will commence no earlier than the day after the despatch of the notice of the general meeting and end no later than seven days prior to the date of such general meeting.

(iv) Directing enquiries from shareholders to the Board

Shareholders may at any time send their enquiries in writing to the Investor Relations Department of the Company at the Company's principal place of business in Hong Kong at Suite 4707, 47th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.

In addition, shareholders may direct their enquiries about their shareholdings to the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong.

DIVIDEND POLICY

The declaration, recommendation and payment of dividends will be subject to the discretion of the Board. The Board shall consider a range of factors before declaring or recommending any dividends, including but not limited to:

- The Company's actual and expected financial performance;
- The Group's liquidity position;
- Retained earnings and distributable reserves of the Company and each of the members of the Group;
- The Group's expected working capital requirements and future expansion plans;
- General economic conditions and other internal or external factors that may have an impact on the business or financial performance and position of the Company; and
- Any other factors that the Board deems relevant.

The shareholders of the Company may not expect any dividends under the following circumstances, including but not limited to:

- During the growth phase of the Group or during significant expansion or undertaking of any acquisitions or joint ventures requiring higher allocation of capital;
- Whenever the Company proposes or plans to utilise surplus cash to repurchase the shares of the Company; or
- Inadequacy of profits or if the Company incurs losses.

The declaration, recommendation and payment of any dividends are also subject to compliance with applicable laws, regulations and the Bye-laws. There can be no assurance that dividends will be paid in any particular amount for any given period.

GOING CONCERN

RESPONSES FROM THE DIRECTORS REGARDING THE "DISCLAIMER OF OPINION" SET OUT IN THE INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2024

BDO Limited (the "Auditor"), the independent auditor of the Company, stated in the Independent Auditor's Report (the "Independent Auditor's Report") set out in the 2024 Annual Report that they do not express an opinion on the consolidated financial statements of the Group due to the potential interaction of the multiple uncertainties relating to going concern and their possible cumulative effects on the consolidated financial statements. For details, please refer to "Independent Auditor's Report".

As disclosed in note 3(b) to the consolidated financial statements of the Group for 2024, assuming the success of the plans and measures to mitigate the liquidity pressure and to improve financial position, the Directors consider 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 Directors consider the use of going concern assumption in the preparation of the consolidated financial statements of the Group is appropriate. However, the Auditor was unable to obtain sufficient supporting bases to assess the appropriateness and reasonableness of the use of the going concern assumption and thus unable to form an opinion of the basis. Although the Directors explained the situation to the Auditor, it remains difficult for the Directors to provide such supporting evidence as the Auditor considers sufficient at this stage, in view of the disparities in the understanding of the country's political environment, legal framework and economic environment.

The Group has been actively tackling the challenges from all aspects during the Review Year

Despite facing multiple challenges, including business losses, breaches of certain covenants in bank borrowings and litigations, the Directors and management actively addressed these issues throughout the Review Year. The Group's management engaged in multiple negotiations with banks to extend the principal repayment period and reduce interest rates regarding the overdue bank borrowings during the Review Year.

In the context of a sluggish economy and tightened approval processes by domestic banks, the Group has made significant efforts to reach an agreement with one of the banks. This agreement allows for the repayment of an overdue loan principal over five years and includes waivers for portions of previously due interest and penalties, substantially alleviating the Group's financial pressure. Additionally, the Group has maintained regular communication with another bank regarding outstanding borrowings. All parties hope the Group can sustain normal operations, and the bank has indicated that it would not take any radical actions against the Group. The Directors and management believe that the likelihood of the bank requiring immediate repayment from the Group is not high, and therefore, this does not pose a significant impact on the Group's business operations.

However, the Auditor did not remove the "Disclaimer of Opinion" for the Review Year due to the outstanding bank borrowings that have yet to be fully resolved.

Major plans to resolve the disagreement on the going concern basis with Auditor and the removal of the "Disclaimer of Opinion"

The primary focus of the Company's work plan is to address overdue bank borrowings. Currently, the Group has overdue but outstanding bank borrowings with principal amount of HK$344 million from a state-owned commercial bank in the PRC. The Group has been in communication with the relevant bank, seeking to reach consensus such as installment repayment of the principal and the waiving of penalties and compound interest for the previous periods. Meanwhile, the Group endeavored to persuade the relevant bank to realise its rights as creditor within the relevant time frame under the consolidated restructuring plan. However, the communication process typically requires first reaching a consensus with the branch of the lending bank, obtaining approval at the branch level, and then reporting the decision to the head office. The branch can only proceed with the solution after the head office's final approval. We coordinate with the bank in accordance with its internal communication timetable, approval process, and its internal procedures. In addition to visiting the bank, the Group maintains regular contact with the relevant bank managers on a regular basis to monitor progress on the proposed solutions.

The Directors and the management have continuously negotiated with the bank in the past on several occasions, but due to the COVID-19 pandemic in recent years and the tightening of bank approval processes, work progress has been severely delayed. In 2025, the Directors and management will continue to fulfill their responsibilities and strive to secure the most favorable solutions for the Group.

The Company will further disclose details of the settlement of overdue bank borrowings to the stakeholders of the Company as and when appropriate.

Removal of "Disclaimer of Opinion"

Assuming all of the above plans and actions can be completed as planned, and no new circumstances or conditions arise, subject to the satisfactory completion of the Auditor's review of the management's assessment of the Group's going concern, the disclaimer of opinion may be removed in connection with the audit of the consolidated financial statements of the Group for the year ending 31 December 2025.

Views of the Audit Committee and Directors

The Audit Committee of the Company and Directors had reviewed the "Disclaimer of Opinion", the management's position concerning the "Disclaimer of Opinion" and the measures taken by the Group to address the "Disclaimer of Opinion". The Audit Committee agreed with the Board's position aforementioned.

The Audit Committee had also discussed with the Auditor the financial position of the Company and the measures taken and to be taken by the Group, understood the Auditor's considerations in forming its opinion, and took the Auditor's rationale into consideration.

Furthermore, the Audit Committee and the Directors had assessed the plans and measures to be implemented by the management to address the uncertainties regarding going concern underlying the "Disclaimer of Opinion". The Audit Committee was satisfied that the abovementioned action plan may address the "Disclaimer of Opinion".

REPORT OF THE DIRECTORS

The board of directors (the "Board" or the "Directors") of China Yurun Food Group Limited (the "Company", together with its subsidiaries, the "Group") presents its 2024 annual report, together with the report of the Directors and the consolidated financial statements of the Group for the year ended 31 December 2024.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries of the Company comprise provision of a wide range of meat (chilled and frozen) and processed meat (low temperature meat products and high temperature meat products) with a particular focus on pork products. There was no significant change in the nature of the Group's principal activities during the year. Details of the activities of the principal subsidiaries are set out in Appendix 1 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The Group's result for the year ended 31 December 2024 and the state of affairs of the Group as at that date are set out in the consolidated financial statements on pages 53 to 121.

The Board does not recommend the payment of final dividend for the year.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group for the year ended 31 December 2024 are set out in note 16 to the consolidated financial statements.

BUSINESS REVIEW

Review of business and performance

A business review of the Group, a discussion and analysis of the Group's performance and material factors underlying its results and financial position during the year and the outlook of the Group are set out in the Chairman's Statement and the Management Discussion and Analysis from pages 3 to 5 and pages 6 to 15 respectively of this annual report. The discussion forms a part of this Report of the Directors.

Principal risks and uncertainties

In addition to the matters referred to in the Chairman's Statement and the Management Discussion and Analysis, the description of the principal risks and uncertainties facing the Company as required to be disclosed pursuant to the applicable Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Companies Ordinance (Chapter 622 of the laws of Hong Kong) can be found from pages 24 to 29 of this annual report. Save as stated above, there may be other risks and uncertainties which are unknown to the Group or which may not be material now but is likely to become material in the future.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to environmental protection and minimising the environmental impact of its production and business activities. While the industry in which the Group operates is not classified as heavily polluting, emissions such as slag, waste water and off-gas are generated during the hogs slaughtering process. The Group has adopted system-wide food safety and environmental-friendly production concepts in factory design. Our production base obtained local government approval before operations, including approval for the environmental impact report. In addition to implementing the ISO14001 Environmental Management System ("EMS"), the Group regularly reviews clean production practices, promotes recycling and adopts various environmental protection measures.

Further details will be disclosed in the Environmental, Social and Governance Report of the Company for the year ended 31 December 2024 to be published on the same date of this annual report.

COMPLIANCE WITH LAWS AND REGULATIONS THAT HAVE A SIGNIFICANT IMPACT ON THE GROUP

The Group has established compliance procedures to ensure adherence to applicable laws, rules and regulations that significantly impact its operations. Our Audit Committee is delegated by the Board to review and monitor the Group's compliance with the policies and practices on corporate governance and regulatory requirements and such policies are regularly reviewed. The relevant employees and the operation units are kept informed from time to time of any change to the applicable laws, rules and regulations.

RELATIONSHIP WITH EMPLOYEES

Working environment

As at 31 December 2024, the Group had approximately 1,000 employees in the mainland China and Hong Kong in total.

The Group provides employees in the mainland China with nice workplace in a green factory, reasonable remuneration packages, sound incentive mechanism, extensive career advancement opportunities and other benefits such as accommodation, meals allowances, insurance, housing fund and retirement benefit. We are committed to improve working environment of our staff.

We also support staff facing financial hardship through a mutual-help charity fund and extend assistance to retired employees and those with families in need, particularly during festive occasions.

Training and career development of employees

The Group values the importance of staff training. We organise in-house management training courses as well as training programmes specialising in aspects such as human resources, finance, administration, quality control, marketing and project management for enhancing the level of skills of managerial and professional staff.

The Group actively recruits young and vibrant employees to develop the Group's new products and sales channels for the new generation consumer group. We focus on fostering colleagues with motivation and potential to allow them more room for development and promotion. We retain our talent for the Group's future needs.

Health and safety of employees

The Group monitors the management of safe production in strict compliance with the relevant laws and regulations. We set up safety management team and formulated guidelines and annual objectives for management of safe production. We formed an integrated and comprehensive accident prevention system and formulated contingency plans and predetermined procedures for emergency according to the nature of incident. Regular emergency drills and exercises are conducted every year to ensure our employees' full understanding of these plans and procedures.

In addition, the Group has included safety management as one of the annual objectives of all levels of the management to enhance their awareness of safety management and ensure the effective implementation of the safe production process.

RELATIONSHIP WITH CUSTOMERS

We highly value our customers as important partners for the Group's sustainability and development. We treasure our cooperative relationship with customers and require our staff to provide attentive service with sincere attitude.

Meanwhile, in order to monitor business operation and to achieve business integrity and mutual benefits, we established an incentive mechanism for distributors and relevant agreements are signed with them to regulate business, so as to ensure that the interests of customers and the Group are protected by law.

RELATIONSHIP WITH SUPPLIERS

As the origin of the supply chain, suppliers are essential to the efficient operation of the whole supply chain and also the sustainability and growth of enterprises. The Group established a series of policies and rules to monitor the suppliers and their supply of raw materials to ensure that the interests of the Group and suppliers are not prejudiced and the quality of the raw materials can comply with the Group's standard.

FORWARD-LOOKING STATEMENTS

These forward-looking statements represent the Group's expectations or beliefs concerning future events and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Certain statements, that include wordings like "potential", "estimate", "expect", "intend", "plan", "believe", and similar expressions or variations on such expressions may be considered "forward-looking statements".

Forward-looking statements involve inherent risks and uncertainties. Readers should be cautioned that a number of factors could cause actual results to differ in some instances materially from those anticipated or implied in any forward-looking statement. Forward-looking statements speak only at the date they are made, and it should not be assumed that they have been reviewed or updated in the light of new information or future events.

SUBSEQUENT EVENTS

For details of the important events affecting the Group that have occurred since the end of the financial year, please refer to note 36 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year are set out in note 29 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws or the laws of Bermuda.

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 year.

RESERVES

Details of the movements in the reserves of the Company during the year are set out in note 30 to the consolidated financial statements. Details of the movements in the reserves of the Group during the year are also included in the Consolidated Statement of Changes in Equity on page 57 of this annual report.

FINANCIAL SUMMARY

A summary of the published results and the assets and liabilities of the Group for the last five financial years is set out on page 122 of this annual report.

DISTRIBUTABLE RESERVES

As at 31 December 2024, the Company's reserves available for distribution, calculated in accordance with the Bermuda Companies Act 1981, amounted to approximately HK$137,795,000.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate sales attributable to the five largest customers of the Group and aggregate purchases attributable to the five largest suppliers of the Group represented less than 30% of the Group's total sales and total purchases, respectively.

As at 31 December 2024, Mr. Zhu Yicai ("Mr. Zhu"), a substantial shareholder of the Company, directly or indirectly held as to approximately 33% of one of the Group's five largest customers. For further details, please refer to the section headed "Continuing Connected Transactions – Sales of processed meat products to Nanjing Yurun" on page 47 of this annual report. Save for the above, none of the Directors or their respective associates, or the existing shareholders, who to the knowledge of the Directors, own more than 5% of the Company's issued share capital, has any interest in any of the five largest customers and suppliers of the Group.

REPORT OF THE DIRECTORS

DIRECTORS

The Directors during the year and up to the date of this annual report are:

Executive Directors

Zhu Yuan R/N *(Chairman and Chief Executive Officer)*

Yang Linwei

Independent non-executive Directors

Gao Hui A/R/N

Chen Jianguo A/R/N

Xu Xinglian A

A: *Members of Audit Committee*
R: *Members of Remuneration Committee*
N: *Members of Nomination Committee*

All Directors are subject to the rotation provisions set out in the Bye-laws of the Company.

In accordance with Bye-law 87 of the Company's Bye-laws, Yang Linwei and Xu Xinglian will retire from office by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting ("AGM").

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules from each of the independent non-executive Directors and the Company considers such Directors to be independent during the financial year ended 31 December 2024 and remain so as of the date of this annual report.

BIOGRAPHICAL DETAILS OF DIRECTORS

Biographical details of the Directors of the Company as at the date of this annual report are set out on page 16 of this annual report. Each member of our senior management is also our executive Director.

DIRECTORS' SERVICE CONTRACTS

None of the Directors being proposed for re-election at the AGM has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Details of the remuneration payable to the Directors for the year ended 31 December 2024 are set out in note 12 to the consolidated financial statements.

DIRECTORS' REMUNERATION POLICY

The Directors' remuneration are determined by the Board with reference to duties and responsibilities of the Directors and the performance and results of the Group. The Remuneration Committee was established for reviewing and determining the remuneration and compensation packages of the Directors and senior management of the Company. Details of the Remuneration Policy are set out on page 23 of this annual report.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Ms. Zhu Yuan, the executive Director of the Company, is the daughter of Mr. Zhu. As Mr. Zhu is a connected person of the Group, Ms. Zhu is therefore an associate of Mr. Zhu, who has a material interest in each of the continuing connected transactions as disclosed under the section headed "Continuing Connected Transactions" below. Since Ms. Zhu Yuan has a material interest in the relevant transactions, she has abstained from voting on the Board meeting approving such transactions.

Save for the above, no transaction, arrangement or contract of significance to which the Company, or any of its holding company, subsidiaries or fellow subsidiaries was a party, and in which a Director of the Company had a material interest (direct or indirect), subsisted at the end of the financial year or at any time during the year ended 31 December 2024.

PERMITTED INDEMNITY PROVISION

The Company's Bye-laws provide that every Director shall be indemnified out of the assets and profits of the Company against all actions, costs, charges, losses, damages and expenses which they will or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty or supposed duty in their offices.

The Company has taken out and maintained directors' liability insurance during the year which provides appropriate cover for the Directors.

COMPETING BUSINESS

None of the Directors had any interest in any business that competes with the Company or any of its subsidiaries during the year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group was entered into or subsisting during the year.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2024, the number of issued ordinary shares of the Company was 1,822,755,650; and none of the Directors and/or the chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")), as recorded in the register of the Company required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix C3 to the Listing Rules.

DEBENTURE ISSUED

There was no debenture issued by the Company during the year.

SHARE OPTION SCHEMES

The Company unconditionally adopted a share option scheme (the "Old Scheme") on 3 October 2005. The Old Scheme was in force for ten years and expired on 2 October 2015. In order to enable the continuity of the Old Scheme, the Company unconditionally adopted a new share option scheme (the "New Share Option Scheme") on 7 August 2015 and concurrently, early terminated the Old Scheme pursuant to the ordinary resolution passed at the annual general meeting of the Company held on 24 June 2015. The share options granted under the Old Scheme prior to its termination, if not yet exercised, would continue to be valid and exercisable in accordance with the rules of the Old Scheme.

(a) Purpose of the Share Option Schemes

The purpose of both share option schemes is to enable the Board, at its discretion, to grant options to any Qualified Participant (as defined below) to work with commitment towards enhancing the value of the Company and its shares for the benefit of the shareholders, and to maintain or attract business relationships with the Qualified Participants whose contributions are or may be beneficial to the growth of the Group.

(b) Qualified Participants

The Qualified Participants include: (i) any executive director, or employee (whether full time or part time) of the Company, any subsidiary of the Company or any entity in which the Company or any subsidiary of the Company holds any equity interest (the "Invested Entity"); (ii) any non-executive director (including independent non-executive director) of the Company, any subsidiary of the Company or any Invested Entity; (iii) any supplier of goods or services to the Company, any subsidiary of the Company or any Invested Entity; (iv) any customer of the Company, any subsidiary of the Company or any Invested Entity; and (v) any person or entity that provides research, development or technological support (in the case of the Old Scheme) and consultancy or advisory services (in the case of the New Share Option Scheme) to the Company, any subsidiary of the Company or any Invested Entity (collectively, the "Qualified Participants").

(c) Maximum number of shares available for issue

The maximum number of shares in respect of which options may be granted under the New Share Option Scheme and any other share option schemes of the Company shall not in aggregate exceed the number of shares representing 10% of the total number of shares in issue as at the date of passing the relevant resolution for approving the adoption of the New Share Option Scheme, being 182,275,565 shares. The number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Share Option Scheme and any other share option schemes of the Company must not in aggregate exceed 30% of the total number of shares in issue of the Company from time to time.

As at the date of this annual report, the total number of shares available for issue under the New Share Option Scheme is 182,275,565 shares, which represents 10% of the total issued shares of the Company.

(d) Maximum entitlement of each Qualified Participant

Unless approved by the shareholders at a general meeting in the manner prescribed in the Listing Rules, the Board may not grant options to any Qualified Participant if the acceptance of those options would result in the total number of shares issued and to be issued to that Qualified Participant on exercise of his options (including both exercised and outstanding options) during any 12-month period exceeding 1% of the total number of shares in issue of the Company at the time.

(e) Timing for exercise of options

The period during which an option may be exercised in accordance with the terms of the Old Scheme or the New Share Option Scheme shall be such period of time notified or to be notified by the Board to each grantee, which the Board may in its absolute discretion determine, save that such period shall not be more than ten years commencing on the Offer Date (as defined below).

(f) Payment for acceptance of option

Upon acceptance of the option, the grantee shall pay HK$1.00 to the Company as consideration for the grant. Under the New Share Option Scheme, an offer shall remain open for acceptance by a Qualified Participant for a period of 30 business days from the date on which the offer was made.

(g) Basic of determining the exercise price

The exercise price shall be a price determined by the Board but in any event shall not be lower than the highest of: (i) the closing price of the shares of the Company as stated in the Hong Kong Stock Exchange's daily quotations sheet on the date on which the option is offered to a Qualified Participant (the "Offer Date"); (ii) the average of the closing prices of the shares of the Company as stated in the Hong Kong Stock Exchange's daily quotations sheets for the five business days immediately preceding the Offer Date; and (iii) the nominal value of the shares of the Company.

(h) Period of the New Share Option Scheme

Subject to earlier termination by the Company at a general meeting or by the Board, the New Share Option Scheme shall be valid and effective for a period of ten years from 7 August 2015.

The Company had not granted any share option under the New Share Option Scheme since its adoption. The number of share options available for grant under the scheme mandate of the New Share Option Scheme was 182,275,565 respectively as at the beginning and the end of the year. There were no outstanding share options as at the beginning and the end of the year. During the year ended 31 December 2024, no share options have been granted/exercised/lapsed/cancelled.

Information on the accounting policy for share options granted is set out in note 4(k)(iv) to the consolidated financial statements.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

There were no share options granted to or exercised by the Directors or Qualified Participants (as defined above) of the Company during the year and no outstanding balances as at 31 December 2024 are set out in the paragraph headed "Share Option Schemes" on pages 42 to 43 of this annual report and note 28 to the consolidated financial statements.

Save as disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangement which enables the Directors to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

EQUITY-LINKED AGREEMENTS

Other than the Share Option Schemes of the Company as disclosed above, no equity-linked agreements were entered into by the Group during the financial year or subsisted at the year end.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2024, so far as is known to the Directors and the chief executive of the Company, the interests or short positions of substantial shareholders/other persons (other than Directors and chief executive of the Company) in the shares and underlying shares of the Company as recorded in the register of the Company required to be kept under Section 336 of the SFO were as follows:

Name	Nature	Number of shares(Note)	Approximate percentage of the issued shares
Willie Holdings Limited	Long position	470,699,900	25.82%
Zhu Yicai	Long position	470,699,900	25.82%
Wu Xueqin	Long position	470,699,900	25.82%

Note:

These shares represent the shares of the Company held by Willie Holdings Limited ("Willie Holdings") as beneficial owner. Willie Holdings is owned as to 93.41% by Mr. Zhu, a former executive Director and Chairman of the Company, and as to 6.59% by Wu Xueqin ("Ms. Wu"), the spouse of Mr. Zhu. Mr. Zhu is deemed to be interested in the shares of the Company held by Willie Holdings as well as the entire issued share capital of Willie Holdings by virtue of Part XV of the SFO. Ms. Wu, being the spouse of Mr. Zhu, is also deemed to be interested in these shares by virtue of Part XV of the SFO.

Save as disclosed above, as at 31 December 2024, no other parties were recorded in the register of the Company required to be kept under Section 336 of the SFO as having interests or short positions in the shares or underlying shares of the Company.

CONTINUING CONNECTED TRANSACTIONS

Certain related party transactions as disclosed in note 34 to the consolidated financial statements also constituted continuing connected transactions under the Listing Rules which are required to be disclosed in this annual report in accordance with Chapter 14A of the Listing Rules:

Purchase of packaging materials from the Packaging Materials Selling Entity (as defined below)

On 20 December 2023, the Company entered into a packaging materials purchase framework agreement (the "Packaging Materials Purchase Framework Agreement") with 桐城市福潤包裝材料有限公司 (Tongcheng Furun Packaging Materials Company Limited*) and 淮北和潤包裝製品有限公司(Huaibei Herun Packaging Products Company Limited*) (the "Packaging Materials Selling Entity") for the continual sourcing of packaging materials from the Packaging Materials Selling Entity. Pursuant to the Packaging Materials Purchase Framework Agreement, the price for the sourcing of packaging materials shall be determined on an arm's length basis, and negotiated between the parties to the Packaging Materials Purchase Framework Agreement with reference to the market price at the time the purchase order is placed, provided that such price shall not be higher than the average price paid by the Group to other independent third parties on an arm's length basis and normal commercial terms for the same type of products during the relevant period. The Packaging Materials Purchase Framework Agreement has a term of three years, commencing on 1 January 2024 and ending on 31 December 2026. Details of the Packaging Materials Purchase Framework Agreement were disclosed in the Company's announcement dated 20 December 2023. The annual caps of the transactions amounts for the financial years ending 31 December 2024, 2025 and 2026 are RMB12.60 million, RMB12.70 million and RMB12.80 million, respectively.

The aggregate purchase amount pursuant to the Packaging Materials Purchase Framework Agreement during the year amounted to approximately RMB3,180,000 (equivalent to approximately HK$3,480,000).

Mr. Zhu is a substantial shareholder of the Company who is indirectly interested in approximately 25.82% of the issued shares of the Company, and is therefore a connected person of the Company under the Listing Rules. The Packaging Materials Selling Entity, being entity owned and/or controlled by 江蘇雨潤精選食品股份有限公司 (Jiangsu Yurun Delicacies Co., Ltd.*)("Jiangsu Yurun Delicacies"). As Jiangsu Yurun Delicacies is held as to approximately 33% by Mr. Zhu, the Packaging Materials Selling Entity has become connected person of the Company under the Listing Rules. As one or more of the applicable percentage ratios in respect of the annual caps of the Packaging Materials Purchase Framework Agreement exceed 0.1% but are less than 5%, the transactions contemplated under the Packaging Materials Purchase Framework Agreement are subject to the reporting, annual review and announcement requirements but are exempted from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Sales of packaging products and materials to the Packaging Products and Materials Purchasing Entities (as defined below)

On 20 December 2023, the Company entered into a packaging products and materials supply framework agreement (the "Packaging Products and Materials Supply Framework Agreement") with Mr. Zhu (for and on behalf of the Packaging Products and Materials Purchasing Entities (as defined in the Company's announcement dated 20 December 2023) for the continual supply of packaging products and materials to the Packaging Products and Materials Purchasing Entities. Pursuant to the Packaging Products and Materials Supply Framework Agreement, the sales price of the packaging products and materials under the Packaging Products and Materials Supply Framework Agreement shall be determined on an arm's length basis, and negotiated between the buyer and the seller with reference to the market price at the time the purchase order is placed, provided that such price shall not be lower than the average price offered by the Group to other independent third parties on an arm's length basis and normal commercial terms for the same type of products during the relevant period. The Packaging Products and Materials Supply Framework Agreement has a term of three years, commencing on 1 January 2024 and ending on 31 December 2026. Details of the Packaging Products and Materials Supply Framework Agreement were disclosed in the Company's announcement dated 20 December 2023. The annual caps of the transactions amounts for the financial years ending 31 December 2024, 2025 and 2026 are RMB2.60 million, RMB2.90 million and RMB3.20 million, respectively.

The aggregate sales amount pursuant to the Packaging Products and Materials Supply Framework Agreement during the year amounted to approximately RMB310,000 (equivalent to approximately HK$340,000).

Mr. Zhu is a substantial shareholder of the Company who is indirectly interested in approximately 25.82% of the issued shares of the Company, and is therefore a connected person of the Company under the Listing Rules. The Packaging Products and Materials Purchasing Entities (except for 南京中央商場(集團)股份有限公司 (Nanjing Emporium (Group) Co. Ltd*) ("Nanjing Emporium Group")), being entities owned and/or controlled by Jiangsu Yurun Delicacies, which is held as to approximately 33% by Mr. Zhu, and Nanjing Emporium Group is held directly or indirectly as to approximately 57% by Mr. Zhu, the Packaging Products and Materials Purchasing Entities have become connected persons of the Company under the Listing Rules. As one or more of the applicable percentage ratios in respect of the annual caps of the Packaging Products and Materials Supply Framework Agreement exceed 0.1% but are less than 5%, the transactions contemplated under the Packaging Products and Materials Supply Framework Agreement are subject to the reporting, annual review and announcement requirements but are exempted from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Purchase of hogs from the Selling Entity (as defined below)

On 21 December 2021, the Company entered into a hogs purchase framework agreement (the "Purchase Framework Agreement") with Mr. Zhu's Entities (namely 江蘇雨潤肉類產業集團有限公司 (Jiangsu Yurun Meat Group Limited*) and 南京雨潤養殖產業集團有限公司 (Nanjing Yurun Breeding Group Company Limited*), entities incorporated in the PRC and owned and/or controlled by Mr. Zhu and his associates, and principally engaged in the business of breeding and/or sales of hogs) (the "Selling Entities") for the continual sourcing of hogs from the Selling Entities. Pursuant to the Purchase Framework Agreement, the price for the sourcing of hogs shall be determined on an arm's length basis, and negotiated between the parties to the Purchase Framework Agreement with reference to the market price at the time the purchase order is placed, provided that such price shall not be higher than the average price paid by the Group to other independent third parties on an arm's length basis and normal commercial terms for the same type of products during the relevant period. The Purchase Framework Agreement has a term of three years, commencing on 1 January 2022 and ended on 31 December 2024. Details of the Purchase Framework Agreement were disclosed in the Company's announcement dated 21 December 2021. The annual caps of the transactions amounts for the financial years ended 31 December 2022, 2023 and 2024 were RMB11 million, RMB14 million and RMB18 million, respectively.

There were no transactions pursuant to the Purchase Framework Agreement during the year.

The Purchase Framework Agreement expired on 31 December 2024. Prior to the expiration, on 12 December 2024, the Company entered into a new Hogs Purchase Framework Agreement ("the Hogs Purchase Framework Agreement") with 江蘇雨潤肉類產業集團有限公司 (Jiangsu Yurun Meat Group Limited*) (the "Selling Entity") for the continual sourcing of hogs from the Selling Entity. Pursuant to the Hogs Purchase Framework Agreement, the price for the sourcing of hogs shall be determined on an arm's length basis, and negotiated between the parties to the Hogs Purchase Framework Agreement with reference to the market price at the time the purchase order is placed, provided that such price shall not be higher than the average price paid by the Group to other independent third parties on an arm's length basis and normal commercial terms for the same type of products during the six months immediately before the order is placed. The Hogs Purchase Framework Agreement has a term of three years, commencing on 1 January 2025 and ending on 31 December 2027. Details of the Hogs Purchase Framework Agreement were disclosed in the Company's announcements dated 12 December 2024 and 20 December 2024. The annual caps of the transactions amounts for the financial years ending 31 December 2025, 2026 and 2027 are RMB2 million, RMB4 million and RMB6 million, respectively.

Mr. Zhu is a substantial shareholder of the Company who is indirectly interested in approximately 25.82% of the issued shares of the Company, and is therefore a connected person of the Company under the Listing Rules. The Selling Entity, being entity owned and/or controlled by Jiangsu Yurun Delicacies. As Jiangsu Yurun Delicacies is held as to approximately 33% by Mr. Zhu, the Selling Entity has become connected person of the Company under the Listing Rules. As one or more of the applicable percentage ratios in respect of the annual caps of the Hogs Purchase Framework Agreement exceed 0.1% but are less than 5%, the transactions contemplated under the Hogs Purchase Framework Agreement are subject to the reporting, annual review and announcement requirements but are exempted from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Sales of processed meat products to Nanjing Yurun (as defined below)

Reference is made to the announcement of the Company dated 30 January 2022. Unless otherwise defined, terms used in this annual report shall have the same meanings as those defined in the announcement.

Upon the Restructuring Plan was adjudicated effective on 28 January 2022, Jiangsu Yurun Delicacies gained legal and actual control over 南京雨潤食品有限公司(Nanjing Yurun Food Co., Ltd.*) ("Nanjing Yurun"). As Jiangsu Yurun Delicacies is held as to approximately 33% by Mr. Zhu, a substantial shareholder and connected person of the Company, Nanjing Yurun has become a connected person of the Company under the Listing Rules.

On 20 December 2021, the Company entered into a processed meat products supply agreement (the "Processed Meat Products Supply Agreement") with Nanjing Yurun, being entity incorporated in the PRC, owned and/or controlled by Mr. Zhu through Jiangsu Yurun Delicacies, which are principally engaged in the business of meats processing, sales of meat products and retail business, for supply of processed meat products to Nanjing Yurun. Pursuant to the Processed Meat Products Supply Agreement, the reference unit price of the products is the market price of such products as at the date of the Processed Meat Products Supply Agreement. The Company (or its subsidiaries) has discretion to increase the reference unit price by not more than 10% based on the past 6 months average increment of raw materials meats price as published by the information centre of the Ministry of Agriculture and Rural Affairs of the People's Republic of China (中華人民共和國農業農村部信息中心), the prices are negotiated by the parties on an arm's length basis and is determined based on prevailing market rates and normal commercial terms. The Processed Meat Products Supply Agreement has a term of three years, commencing on 1 January 2022 and ended on 31 December 2024. Details of the Processed Meat Products Supply Agreement were disclosed in the Company's announcement dated 30 January 2022, which was made pursuant to Rule 14A.60 for the Listing Rules.

As the transactions contemplated under the Processed Meat Products Supply Agreement constitute continuing connected transactions under Rule 14A.60(1) of the Listing Rules, annual caps are not applicable to the relevant transactions. The aggregate sales amount pursuant to the Processed Meat Products Supply Agreement during the year amounted to approximately RMB155,960,000 (equivalent to approximately HK$170,970,000).

Sales of raw pork to the Raw Pork Purchasing Entities (as defined below)

On 18 August 2022, the Company entered into a raw pork supply framework agreement (the "Supply Framework Agreement") with 江蘇雨潤肉類產業集團有限公司 (Jiangsu Yurun Meat Group Limited*) and Nanjing Yurun, being entities incorporated in the PRC, owned and/or controlled by Mr. Zhu through Jiangsu Yurun Delicacies, which are principally engaged in the business of meats processing, sales of meat products and retail business (the "Purchasing Entities") for supply of raw pork to the Purchasing Entities and/or their respective subsidiaries and/or associates. Pursuant to the Supply Framework Agreement, the sales price of the raw pork under the Supply Framework Agreement shall be determined on an arm's length basis, and negotiated between the buyer and the seller with reference to the market price at the time the purchase order is placed, provided that such price shall not be lower than the average price offered by the Group to other independent third parties on an arm's length basis and normal commercial terms for the same type of products in the same site area during the relevant period. The Supply Framework Agreement has a term of commencing on 18 August 2022 and ended on 31 December 2024. Details of the Supply Framework Agreement were disclosed in the Company's announcement dated 18 August 2022. The annual caps of the transactions amounts for the financial years ended 31 December 2022, 2023 and 2024 were RMB41 million, RMB41 million and RMB41 million, respectively.

The aggregate sales amount pursuant to the Supply Framework Agreement during the year amounted to approximately RMB650,000 (equivalent to approximately HK$710,000).

The Supply Framework Agreement expired on 31 December 2024. Prior to the expiration, on 12 December 2024, the Company entered into a new raw pork supply framework agreement (the "Raw Pork Supply Framework Agreement") with 江蘇雨潤肉類產業集團有限公司 (Jiangsu Yurun Meat Group Limited*) and Nanjing Yurun (the "Raw Pork Purchasing Entities") for the continual supply of raw pork to the Raw Pork Purchasing Entities and/or their respective subsidiaries and/or associates. Pursuant to the Raw Pork Supply Framework Agreement, the sales price for the raw pork shall be determined on an arm's length basis, and negotiated between the parties to the Raw Pork Supply Framework Agreement with reference to the market price at the time the purchase order is placed, provided that such price shall not be lower than the average price sold by the Group to other independent third parties on an arm's length basis and normal commercial terms for the same type of products in the same site area during the six months immediately before the order is placed. The Raw Pork Supply Framework Agreement has a term of three years commencing on 1 January 2025 and ending on 31 December 2027. Details of the Raw Pork Supply Framework Agreement were disclosed in the Company's announcements dated 12 December 2024 and 20 December 2024. The annual caps of the transactions amounts for the financial years ending 31 December 2025, 2026 and 2027 are RMB2.5 million, RMB4.5 million and RMB6 million, respectively.

Mr. Zhu is a substantial shareholder of the Company who is indirectly interested in approximately 25.82% of the issued shares of the Company, and is therefore a connected person of the Company under the Listing Rules. The Raw Pork Purchasing Entities, being entity owned and/or controlled by Jiangsu Yurun Delicacies. As Jiangsu Yurun Delicacies is held as to approximately 33% by Mr. Zhu, the Raw Pork Purchasing Entities has become connected person of the Company under the Listing Rules. As one or more of the applicable percentage ratios in respect of the annual caps of the Raw Pork Supply Framework Agreement exceed 0.1% but are less than 5%, the transactions contemplated under the Raw Pork Supply Framework Agreement are subject to the reporting, annual review and announcement requirements but are exempted from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

The transactions detailed under the headings "Purchase of packaging materials from the Packaging Materials Selling Entity", "Sales of packaging products and materials to the Packaging Products and Materials Purchasing Entities", "Purchase of hogs from the Selling Entity", "Sales of processed meat products to Nanjing Yurun" and "Sales of raw pork to the Raw Pork Purchasing Entities" above constituted continuing connected transactions of the Group. The independent non-executive Directors have reviewed these continuing connected transactions and confirmed that the transactions have been entered into:

1. in the ordinary and usual course of business of the Group;

2. on normal commercial terms or better; and

3. according to the agreements governing them on the terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with the Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 (Revised) "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued the unqualified report containing the auditor's findings and conclusions in respect of the continuing connected transactions disclosed by the Group on pages 44 to 49 of this annual report in accordance with Rule 14A.56 of the Listing Rules. The auditor of the Company has confirmed in letter to the Board that nothing has come to its attention that causes it to believe that:

1. the disclosed continuing connected transactions have not been approved by the Board of the Company;

2. for transactions involving the provision of goods or services by the Group, the transactions were not, in all material respects, in accordance with the pricing policies of the Group;

3. the disclosed continuing connected transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

4. the disclosed continuing connected transactions have exceeded the annual cap, where applicable.

Details of the significant related party transactions conducted in the normal course of business are set out in note 34 to the consolidated financial statements. None of these related party transactions constitutes a connected transaction as defined and required to be disclosed under the Listing Rules, except for those described in the section headed "Continuing Connected Transactions" in this annual report, in respect of which the disclosure requirements in accordance with Chapter 14A of the Listing Rules have been complied with.

Save as disclosed above, there is no other transaction of the Company which requires disclosure in this annual report in accordance with the Listing Rules.

* *For identification purposes only*

PUBLIC FLOAT

Based on the information publicly available to the Company and within the knowledge of the Directors, the Company maintained sufficient level of public float as required under the Listing Rules during the year and up to the date of this annual report.

TAX RELIEF AND EXEMPTION

The Company is not aware of any tax relief and exemption available to the shareholders by reason of their holding of the Company's securities.

CORPORATE GOVERNANCE

The Board has reviewed the Company's corporate governance practices and is satisfied that the Company was in compliance with the applicable code provisions of the Corporate Governance Code set out in Appendix C1 to the Listing Rules, throughout the year except for a deviation in code provision C.2.1.

Details of the Company's corporate governance practices are set out in the "Corporate Governance Report" on pages 17 to 35 of this annual report.

MODEL CODE FOR SECURITIES TRANSACTION BY DIRECTORS

The Company has adopted the Model Code 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 enquiry of all Directors, confirms that the Directors have complied with the required standards set out in the Model Code throughout the year.

AUDITOR

The consolidated financial statements of the Company for the year ended 31 December 2024 were audited by BDO Limited, whose term of office will retire at the close of the AGM. A resolution for the re-appointment of BDO Limited as the auditor of the Company will be proposed at the AGM.

By Order of the Board

Zhu Yuan
Chairman
Hong Kong, 25 March 2025

BDO

Tel : +852 2218 8288
Fax: +852 2815 2239
www.bdo.com.hk

25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

To the Shareholders of China Yurun Food Group Limited
(incorporated in Bermuda with limited liability)

DISCLAIMER OF OPINION

We were engaged to audit the consolidated financial statements of China Yurun Food Group Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 53 to 121, which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

We do not express an opinion on the consolidated financial statements of the Group due to the potential interaction of the multiple uncertainties relating to going concern and their possible cumulative effects on the consolidated financial statements as described in the "Basis for Disclaimer of Opinion" section of our report. In all other aspects, in our opinion, the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR DISCLAIMER OF OPINION

Multiple uncertainties relating to going concern

As described in note 3(b) to the consolidated financial statements, the Group incurred a net loss of $36,404,000 for the year ended 31 December 2024 and as at 31 December 2024, the Group had net current liabilities of $872,361,000 and current and non-current bank borrowings amounting to $369,922,000 and $73,689,000 respectively, while its cash and cash equivalents amounted to $40,983,000 only.

Certain current bank borrowings originated in prior financial periods amounted to $343,553,000 together with the accrued interest of $250,721,000 (included in trade and other payables (note 27)) were overdue as at 31 December 2024. In addition, as disclosed in notes 3(b), 25(i) and 25(iii) to the consolidated financial statements, the Group could not fulfil certain bank covenants relating to the abovementioned current bank borrowings of $343,553,000 and the bank has commenced litigations against the Group to settle the outstanding balances.

The directors of the Company have been implementing a number of measures to improve the Group's liquidity and financial position, which are set out in note 3(b) to the consolidated financial statements.

The consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the successful outcome of the Group's plans and measures to mitigate its liquidity pressure and to improve its financial performance as set out in note 3(b) to the consolidated financial statements, including (i) the successful negotiation with the relevant bank 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 the remaining defaulted bank borrowings with principal amount of $343,553,000; (ii) the successful outcome on conclusive settlement of the bank borrowings as part of the consolidated restructuring as disclosed in note 25(i) to the consolidated financial statements; 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 in note 3(b) to the consolidated financial statements, 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 consolidated financial statements.

We disclaimed our opinion on the consolidated financial statements for the year ended 31 December 2023 ("2023 consolidated financial statements") relating to the going concern basis of preparing the consolidated financial statements. Any adjustments to the balances as at 31 December 2023 would affect the balances of these financial statements items as at 1 January 2024 and the corresponding movements, if any, during the year ended 31 December 2024. The balances as at 31 December 2023 and the amounts for the year then ended are presented as corresponding figures in the consolidated financial statements for the year ended 31 December 2024. We disclaimed our audit opinion on the consolidated financial statements for the year ended 31 December 2024 also for the possible effect of the disclaimer of audit opinion on 2023 consolidated financial statements on the comparability of 2024 figures and 2023 figures in these consolidated financial statements.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards") and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are also responsible for overseeing the Group's financial reporting process. The audit committee assists the directors in discharging their responsibilities in this regard.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and to issue an auditor's report. This report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

However, due to the potential interaction of the multiple uncertainties relating to going concern and their possible cumulative effect on the consolidated financial statements as described in the "Basis for Disclaimer of Opinion" section of our report, it is not possible for us to form an audit opinion on these consolidated financial statements.

We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

BDO Limited
Certified Public Accountants

Yau Shuk Yuen Amy
Practising Certificate Number: P06095

Hong Kong, 25 March 2025

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2024

	Notes	**2024** **$'000**	2023 $'000
Revenue	7	**992,369**	1,410,943
Cost of sales		**(877,027)**	(1,297,953)
Gross profit		**115,342**	112,990
Other net income/(losses)	8	**95,759**	(105,354)
Distribution expenses		**(37,330)**	(45,038)
Administrative and other operating expenses		**(157,901)**	(132,184)
Results from operating activities		**15,870**	(169,586)
Finance income		**211**	97
Finance costs		**(52,530)**	(38,384)
Net finance costs	9(a)	**(52,319)**	(38,287)
Loss before income tax	9(b)&(c)	**(36,449)**	(207,873)
Income tax credit	10	**45**	6,580
Loss for the year		**(36,404)**	(201,293)
Attributable to:			
Equity holders of the Company		**(38,573)**	(147,641)
Non-controlling interests		**2,169**	(53,652)
Loss for the year		**(36,404)**	(201,293)
Loss per share			
Basic and diluted	15	**HK$(0.021)**	HK$(0.081)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2024

	Notes	2024 $'000	2023 $'000
Loss for the year		**(36,404)**	(201,293)
Other comprehensive income for the year (after tax and reclassification adjustments)	14		
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences for foreign operations		**21,913**	6,507
Foreign currency translation differences reclassified to profit or loss upon disposal of a subsidiary		**(4,111)**	–
		17,802	6,507
Total comprehensive income for the year		**(18,602)**	(194,786)
Attributable to:			
Equity holders of the Company		**(9,872)**	(151,618)
Non-controlling interests		**(8,730)**	(43,168)
Total comprehensive income for the year		**(18,602)**	(194,786)

The notes on pages 60 to 121 are an integral part of these consolidated financial statements.

	Notes	2024 $'000	2023 $'000
Non-current assets			
Property, plant and equipment	16	**198,540**	326,449
Lease prepayments	17	**35,401**	45,618
Intangible assets	19	**3,056**	–
Non-current prepayments and other receivables	20	**1,723**	1,758
		238,720	373,825
Current assets			
Inventories	21	**78,439**	146,006
Trade and other receivables	22	**286,749**	452,756
Income tax recoverable	11	**62**	66
Cash and cash equivalents	23	**40,983**	39,298
		406,233	638,126
Current liabilities			
Bank borrowings	25	**369,922**	446,196
Lease liabilities	26	**616**	869
Trade and other payables	27	**908,023**	1,170,268
Income tax payable	11	**33**	34
		1,278,594	1,617,367
Net current liabilities		**(872,361)**	(979,241)
Total assets less current liabilities		**(633,641)**	(605,416)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2024

	Notes	2024 $'000	2023 $'000
Non-current liabilities			
Bank borrowings	25	**73,689**	22,029
Lease liabilities	26	**266**	61,934
		73,955	83,963
NET LIABILITIES		**(707,596)**	(689,379)
EQUITY			
Share capital	29	**182,276**	182,276
Reserves		**(887,117)**	(877,245)
Total equity attributable to equity holders of the Company		**(704,841)**	(694,969)
Non-controlling interests		**(2,755)**	5,590
TOTAL EQUITY		**(707,596)**	(689,379)

Approved and authorised for issue by the board of directors on 25 March 2025.

Zhu Yuan
Director

Yang Linwei
Director

The notes on pages 60 to 121 are an integral part of these consolidated financial statements.

	Attributable to equity holders of the Company									
	Share capital (Note 29) $'000	Share premium (Note 30(b)) $'000	Capital surplus (Note 30(c)) $'000	Merger reserve (Note 30(d)) $'000	PRC statutory reserves (Note 30(e)) $'000	Exchange reserve (Note 30(f)) $'000	Accumulated losses $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
At 1 January 2023	182,276	7,400,418	3,290	(70,363)	91,397	88,212	(8,238,581)	(543,351)	48,758	(494,593)
Loss for the year	–	–	–	–	–	–	(147,641)	(147,641)	(53,652)	(201,293)
Total other comprehensive income for the year	–	–	–	–	–	(3,977)	–	(3,977)	10,484	6,507
Total comprehensive income for the year	–	–	–	–	–	(3,977)	(147,641)	(151,618)	(43,168)	(194,786)
At 31 December 2023 and 1 January 2024	182,276	7,400,418	3,290	(70,363)	91,397	84,235	(8,386,222)	(694,969)	5,590	(689,379)
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(38,573)**	**(38,573)**	**2,169**	**(36,404)**
Total other comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**28,701**	**–**	**28,701**	**(10,899)**	**17,802**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**28,701**	**(38,573)**	**(9,872)**	**(8,730)**	**(18,602)**
Disposal of a subsidiary (note 31)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**385**	**385**
At 31 December 2024	**182,276**	**7,400,418**	**3,290**	**(70,363)**	**91,397**	**112,936**	**(8,424,795)**	**(704,841)**	**(2,755)**	**(707,596)**

The notes on pages 60 to 121 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2024

	Notes	2024 $'000	2023 $'000
Cash flows from operating activities			
Loss for the year		**(36,404)**	(201,293)
Adjustments for:			
Depreciation	9(c)	**30,955**	33,418
Amortisation of intangible assets	9(c)	**–**	617
Interest income from bank deposits	9(a)	**(211)**	(97)
Finance costs		**52,530**	38,384
Impairment losses on property, plant and equipment	9(c)	**42,119**	56,495
Impairment losses on trade and other receivables, net	9(c)	**55,879**	1,608
Gain on disposal of property, plant and equipment and lease prepayments	8	**(21,796)**	(25,555)
Written-off property, plant and equipment	8	**22,316**	–
Written-off lease liabilities	8	**(60,651)**	–
Written-off right-of-use-assets	8	**–**	43,094
Gain on disposal of a subsidiary	31	**(17,710)**	–
Gain on extinguishment of debt	8	**(56,152)**	–
Written-off value-added tax recoverable	8	**35,446**	99,107
Write-down/(reversal of write-down) of inventories	9(c)	**1,019**	(1,350)
Income tax credit		**(45)**	(6,580)
Operating profit before changes in working capital		**47,295**	37,848
Change in inventories		**64,041**	(29,232)
Change in trade and other receivables		**84,266**	(76,868)
Change in trade and other payables		**(218,355)**	85,113
Cash (used in)/generated from operating activities		**(22,753)**	16,861
Finance costs paid		**(80)**	(48)
Income tax paid		**–**	(46)
Income tax refunded		**45**	3,678
Net cash (used in)/generated from operating activities		**(22,788)**	20,445

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2024

	Notes	2024 $'000	2023 $'000
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		**40,144**	12,558
Proceeds from disposal of lease prepayments		**8,222**	–
Interest received		**211**	97
Acquisitions of intangible assets		**(3,103)**	–
Acquisitions of property, plant and equipment		**(10,732)**	(13,912)
Net cash outflow on disposal of a subsidiary	31	**(2)**	–
Net cash generated from/(used in) investing activities		**34,740**	(1,257)
Cash flows from financing activities			
Repayments of bank borrowings	24	**(15,348)**	(10,360)
Payments of lease liabilities	24	**(2,929)**	(4,442)
Net cash used in financing activities		**(18,277)**	(14,802)
Net (decrease)/increase in cash and cash equivalents		**(6,325)**	4,386
Cash and cash equivalents at 1 January		**39,298**	33,210
Effect of exchange rate fluctuations on cash held		**8,010**	1,702
Cash and cash equivalents at 31 December	23	**40,983**	39,298

The notes on pages 60 to 121 are an integral part of these consolidated financial statements.

1. GENERAL

China Yurun Food Group Limited (the "Company") was incorporated in Bermuda on 21 March 2005 as an exempted company with limited liability under the Bermuda Companies Act 1981. The address of the Company's registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

The consolidated financial statements of the Company as at and for the year ended 31 December 2024 comprise the Company and its subsidiaries (collectively referred to as the "Group"). The Group is primarily involved in slaughtering, production and sales of chilled and frozen meat and processed meat products. The consolidated financial statements were approved and authorised for issue by the board of directors of the Company (the "Board" or the "Directors") on 25 March 2025.

2. ADOPTION OF IFRS ACCOUNTING STANDARDS AS ISSUED BY THE INTERNATIONAL ACCOUNTING STANDARDS BOARD ("IFRS ACCOUNTING STANDARDS")

(a) Adoption of new/revised IFRS Accounting Standards – effective from 1 January 2024

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

None of the new or amended IFRS Accounting Standards have a material effect on the reported results or financial position of the Group for both current and prior reporting periods. The Group has not early applied any new or amended IFRS Accounting Standards that are not yet effective for the current accounting period.

(b) New/revised IFRS Accounting Standards that have been issued but are not yet effective

The following new or revised IFRS Accounting Standards, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

Amendments to IAS 21 and IFRS 1	Lack of Exchangeability[1]
Amendments to IFRS 9 and IFRS 7	Contracts Referencing Nature-Dependent Electricity[2]
Amendments to IFRS 9 and IFRS 7	Amendments to the Classification and Measurement of Financial Instruments[2]
IFRS 18	Presentation and Disclosure in Financial Statements[3]
IFRS 19	Subsidiaries without Public Accountability: Disclosures[3]
Amendments to IFRS 10 and IAS 28	Sales or Contribution of Assets between and Investor and its Associate or Joint Venture[4]

1 Effective for annual periods beginning on or after 1 January 2025.
2 Effective for annual periods beginning on or after 1 January 2026.
3 Effective for annual periods beginning on or after 1 January 2027.
4 Effective for annual periods beginning on or after a date to be determined.

The Directors of the Group do not anticipate that the application of the above amendments in the future will have an impact on the consolidated financial statements.

3. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with IFRS Accounting Standards, which collective term includes all applicable individual IFRSs, IASs and Interpretations issued by the International Accounting Standards Board ("IASB"). The consolidated financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange").

(b) Basis of measurement and Going concern assumption

The consolidated financial statements have been prepared under the historical cost basis.

Going concern basis

The Group incurred a net loss of $36,404,000 for the year ended 31 December 2024 and as at 31 December 2024, the Group had net current liabilities of $872,361,000 and current and non-current bank borrowings amounting to $369,922,000 and $73,689,000 respectively, while its cash and cash equivalents amounted to $40,983,000 only.

Certain current bank borrowings originated in prior financial periods amounted to $343,553,000 together with the accrued interest of $250,721,000 (included in trade and other payables (note 27)) were overdue as at 31 December 2024. In addition, as disclosed in notes 25(i) and 25(iii), the Group could not fulfil certain bank covenants relating to the abovementioned current bank borrowings of $343,553,000 and the bank has commenced litigations against the Group to settle the outstanding balances.

For the purpose of assessing going concern, management have prepared a cash flow forecast covering a period of twelve months from the end of the reporting period with the following plans and measures to mitigate the liquidity pressure and to improve its financial position taken into account:

(i) During the year ended 31 December 2024, an indirect non-wholly owned subsidiary of the Company successfully reached a debt relief agreement for certain bank borrowings with principal of $83,109,000 and accrued interests of $55,363,000, where part of the accrued interests has been waived and the repayment period has been extended by 5 years to 2029. Regarding the remaining defaulted bank borrowings with principal amount of $343,553,000, the Directors will continue to negotiate with the relevant bank 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;

(ii) The potential outcome on conclusive settlement of the bank borrowings as part of the consolidated restructuring as disclosed in note 25(i); 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 consolidated financial statements have been prepared on a going concern basis.

3. BASIS OF PREPARATION (CONTINUED)

(b) Basis of measurement and Going concern assumption (Continued)

Going concern basis (Continued)

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 the relevant bank 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 the remaining defaulted bank borrowings with principal amount of $343,553,000; (ii) the successful outcome on conclusive settlement of the bank borrowings as part of the consolidated restructuring as disclosed in note 25(i); 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 consolidated financial statements.

(c) Functional and presentation currency

The Company and other investment holding subsidiaries incorporated in the British Virgin Islands (the "BVI") and Hong Kong have their functional currencies in Hong Kong dollars ("HKD" or "$") and subsidiaries established in the People's Republic of China (the "PRC") have their functional currencies in Renminbi ("RMB"). These consolidated financial statements are presented in HKD, which is the Company's functional currency. All financial information presented in HKD has been rounded to the nearest thousand except when otherwise indicated.

4. MATERIAL ACCOUNTING POLICIES

(a) Basis of consolidation

(i) Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group (see accounting policy (a)(ii)). The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment (see accounting policy (g)). Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities (see accounting policy (e)).

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (Continued)

(ii) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity holders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity holders of the Company.

In the Company's statement of financial position, the investments in subsidiaries are stated at cost less impairment losses (see accounting policy (g)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(iii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(b) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses (see accounting policy (g)).

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain and loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

(ii) Subsequent costs

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group.

(iii) Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line basis over their estimated useful lives, and is generally recognised in profit or loss. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

The estimated useful lives of property, plant and equipment are as follows:

–	Properties	20–40 years
–	Machinery and equipment	10–15 years
–	Transportation vehicles	5–15 years
–	Furniture and fixtures	5–10 years

Depreciation methods, useful lives and residual values are reassessed at each end of the reporting period and adjusted if appropriate.

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(b) Property, plant and equipment (Continued)

(iv) Construction in progress

Construction in progress is stated at cost less impairment losses (see accounting policy (g)). Cost comprises direct costs of construction during the period of construction and installation. Capitalisation of these costs ceases and the construction in progress is transferred to property, plant and equipment when substantially all of the activities necessary to prepare the assets of their intended use are substantially complete, notwithstanding any delays in the issue of the relevant commissioning certificates by the relevant PRC authorities.

No depreciation is provided in respect of construction in progress until it is substantially complete and ready for its intended use.

(c) Leasing

All leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

(i) Right-of-use asset

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee; and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Except for right-of-use asset that meets the definition of an investment property or a class of property, plant and equipment to which the Group applies the revaluation model, the Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability. For right-of-use asset that meets the definition of an investment property, they are carried at fair value and for right-of-use asset that meets the definition of a leasehold land and buildings held for own use, they are carried at fair value.

The Group accounts for leasehold land and buildings that are held for rental or capital appreciation purpose under IAS 40 and held for own use under IAS 16 (see accounting policy (b)) are carried at cost less accumulated depreciation and impairment losses. Other than the above right-of-use assets, the Group also has leased a number of properties under tenancy agreements which the Group exercises it judgement and determines that it is a separate class of asset apart from the leasehold land and buildings which is held for own use. As a result, the right-of-use asset arising from the properties under tenancy agreements are carried at depreciated cost.

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(c) Leasing (Continued)

(ii) Lease liability

The lease liability is recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the Group's incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable; (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, the Group measures the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

(iii) Accounting as a lessor

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the leased assets to the lessee. All other leases are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on the straight-line basis over the lease term.

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(d) Lease prepayments

Lease prepayments represent purchase cost of land use rights. Land use rights are carried at cost less accumulated amortisation and impairment losses (see accounting policy (g)). Amortisation is charged to profit or loss on a straight-line basis over the respective periods of the rights. The lease terms of land use rights are from 35 to 50 years.

(e) Financial instruments

(i) Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Financial assets with embedded derivatives are considered in their entirely when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset.

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(e) Financial instruments (Continued)

(ii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at fair value through profit or loss are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade and other payables and borrowings are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iii) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(iv) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(v) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with IFRS 9.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

(f) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is computed using the weighted average method and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and distribution expenses.

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(g) Impairment

(i) Impairment loss on financial assets

The Group recognises loss allowances for expected credit loss ("ECL") on trade and other receivables. The ECLs are measured on either of the following bases: (i) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and (ii) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade receivables using IFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other financial assets, the ECLs are based on the 12-months ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be credit-impaired when: (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is more than 90 days past due.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets interest income is calculated based on the gross carrying amount.

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(g) Impairment (Continued)

(ii) Non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit ("CGU") exceeds its recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rota basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(h) Revenue recognition

The Group principally derives revenue from manufacturing and sales of chilled and frozen meat and processed meat products.

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(h) Revenue recognition (Continued)

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

(i) Meat production

Customers obtain control of the meat products when the goods are delivered to and have been accepted. Revenue is thus recognised upon at the point in time when control of the meat products is transferred to the customers. There is generally only one performance obligation. For the credit sales, invoices are usually payable within 30 days to 90 days; while the payment of the transaction price is due immediately when the customer purchases the products and takes delivery in plants. As the payment by the customer does not exceed one year, the Group does not adjust any of the transaction prices for the time value of money. Revenue from sales of goods is recognised on transfer of risks and rewards of ownership, which was taken as at the time of delivery and the title is passed to customer.

Some of the Group's contracts with customers from the sale of meat product provides customers a right of return (a right to exchange another product). These rights of return do not allow the returned goods to be refund in cash. The right of return gives rise to variable consideration. The variable consideration is estimated at contract inception and constrained until the associated uncertainty is subsequently resolved. The application of the constraint on variable consideration increases the amount of revenue that will be deferred. In addition, a refund liability and a right to recover returned goods assets are recognised. Revenue for these contracts was recognised when a reasonable estimate of the returns could be made, provide that all other revenue recognition criteria are met.

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(i) Income tax expense

Income tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, and any adjustment to tax payable in respect of previous years. It is measured using tax rates enacted or substantially enacted at the end of the reporting period. Current tax payable also includes any tax arising from dividends.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

– temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;

– temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of temporary differences and it is probable that they will not reverse in the foreseeable future; and

– taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each end of the reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(j) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group companies at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured in terms of historical in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated to the functional currency at the exchange rate when the fair value was determined. Foreign currency differences are generally recognised in profit or loss. Non-monetary items that are measured based on historical cost in a foreign currency are not retranslated.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to HKD at exchange rates at the end of the reporting period. The income and expenses of foreign operations are retranslated to HKD at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income, and presented in the exchange reserve in equity. However, if the foreign operation is a non-wholly-owned subsidiary, then the relevant proportion of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the related cumulative amount in the exchange reserve attributable to the Group is reclassified to profit or loss as part of the gain or loss on disposal.

(k) Employee benefits

(i) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(ii) Defined contribution plan

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in profit or loss in the periods during which related services are rendered by employees.

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(k) Employee benefits (Continued)

(iii) Termination benefits

Termination benefits are recognised on the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

(iv) Equity-settled share-based payment transactions

The grant-date fair value of equity-settled share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For equity-settled share-based payment awards with non-vesting conditions, the grant date fair value of the equity-settled share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

(l) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset.

(m) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance costs.

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(n) Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the group or to the group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

(a) Critical judgments in applying accounting policies

In the application of the Group's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

(b) Key sources of estimation uncertainty

Notes 28 and 32(e) contain information about the assumptions relating to the determination of fair value of share options granted and financial instruments respectively. Other sources of estimation uncertainties are as follows:

Accounting estimates and judgements

(i) Impairment of property, plant and equipment, lease prepayments, intangible assets and non-current prepayments

The Group reviews its property, plant and equipment, lease prepayments, intangible assets and non-current prepayments for indications of impairment at the end of each reporting period according to accounting policies set out in note 4(g). The recoverable amount is estimated based on projections of future cash flows from the assets based on management's assignment of a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for assets which management considers are likely to be recoverable through continuing use or recent transaction prices of similar assets when they are available and depreciated replacement cost when appropriate for assets which management considers are likely to be recoverable through a sales transaction. If the estimation of recoverable amount is different, any impairment will impact the profit or loss of the Group.

(ii) Depreciation

Items of property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual value. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

(b) Key sources of estimation uncertainty (Continued)

Accounting estimates and judgements (Continued)

(iii) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and distribution expenses. These estimates are based on the current market condition and historical experience of selling products of similar nature. It could change significantly as a result of competitor actions in response to severe industry cycles. Management reassesses these estimations at the end of the reporting period to ensure inventory is shown at the lower of cost and net realisable value.

(iv) Taxation

Determining income tax provisions involves judgment on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations. Where the final tax outcome of these transactions is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the year in which such determination is made.

(v) Vesting of share options

The share options granted are subject to the achievement of performance-based vesting condition. The Group recognises the cost for services received from the grantees based on the estimation on the number of share options expected to vest. The equity-settled share-based payment expense for future periods is adjusted if subsequent information indicates that the number of share options expected to vest differs from previous estimates.

(vi) Provision for losses on litigations

The Group has been involved in several legal proceedings. The Group assessed the provision required or disclosed as contingent liabilities based on its legal assessment. Further details of the proceedings are disclosed in notes 25(iii) and 33(b). Further development of the proceedings may result in different assessments of the financial consequences in subsequent years.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

(b) Key sources of estimation uncertainty (Continued)

Accounting estimates and judgements (Continued)

(vii) ECLs on trade and other receivable

The Group recognises loss allowances for ECLs on trade and other receivables measured at amortised cost. The ECLs are measured on either of the following bases: (i) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and (ii) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

(viii) Going concern assumption

These consolidated financial statements have been prepared on a going concern basis even though there were certain events or conditions as explained in note 3(b). In view of these circumstances, the Directors have been given consideration to the future liquidity and performance in assessing whether the Group will have sufficient financial resources to continue as a going concern. Certain plans and measures as stated in note 3(b) have been and are being taken to manage the Group's liquidity and to improve its financial positions.

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 consolidated financial statements

6. OPERATING SEGMENTS

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 Executive Officer, being the chief operating decision maker ("CODM"), the Group has identified the following two reportable segments. No other 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

In accordance with IFRS 8, segment information disclosed in these consolidated financial statements has been prepared in a manner consistent with the information used by the Group's most senior executive management for the purposes of assessing segment performance and allocating resources between segments. In this regard, the Group's senior executive management monitors the results to each reportable segment on the following bases:

– Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation of assets attributable to those segments.

– Finance income and finance costs are not allocated as segment expenses.

– The measure used for reportable segment loss is adjusted loss before interests and taxes for the year.

6. OPERATING SEGMENTS (CONTINUED)

(a) Segment results (Continued)

Segment results that are reported to the CODM include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly finance costs, head office expenses and income tax credit.

Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

Segment assets and liabilities of the Group are not reported to the Group's CODM regularly. As a result, segment information concerning assets and liabilities have not been presented in these consolidated financial statements.

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 2024 and 2023 is set out below:

	Chilled and frozen meat		Processed meat products		Total	
	2024	2023	**2024**	2023	**2024**	2023
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
External revenue	**552,598**	966,400	**439,771**	444,543	**992,369**	1,410,943
Inter-segment revenue	**–**	13,845	**–**	–	**–**	13,845
Reportable segment revenue	**552,598**	980,245	**439,771**	444,543	**992,369**	1,424,788
Depreciation and amortisation	**(22,116)**	(22,825)	**(8,839)**	(11,210)	**(30,955)**	(34,035)
Gain on disposal of property, plant and equipment and lease prepayments	**21,305**	25,228	**491**	327	**21,796**	25,555
Written-off right-of-use assets	**–**	(43,094)	**–**	–	**–**	(43,094)
Written-off property, plant and equipment	**–**	–	**(22,316)**	–	**(22,316)**	–
Written-off value-added tax recoverable	**(35,227)**	(99,107)	**(219)**	–	**(35,446)**	(99,107)
Impairment losses on property, plant and equipment	**(42,119)**	(56,495)	**–**	–	**(42,119)**	(56,495)
Gain on disposal of a subsidiary	**17,710**	–	**–**	–	**17,710**	–
Reversal of impairment losses/(impairment losses) on trade and other receivables, net	**1,081**	(241)	**(56,960)**	(1,367)	**(55,879)**	(1,608)
Government subsidies	**1,234**	789	**206**	2,983	**1,440**	3,772
Reportable segment profit/(loss) before income tax	**20,361**	(225,344)	**7,396**	64,170	**27,757**	(161,174)

6. OPERATING SEGMENTS (CONTINUED)

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

	2024 $'000	2023 $'000
Revenue		
Total revenue of reportable segments	**992,369**	1,424,788
Elimination of inter-segment revenue	**–**	(13,845)
Consolidated revenue	**992,369**	1,410,943
Profit/(loss)		
Total reportable segment profit/(loss) before income tax	**27,757**	(161,174)
Elimination of inter-segment loss	**–**	4,732
	27,757	(156,442)
Net finance costs (note 9(a))	**(52,319)**	(38,287)
Income tax credit	**45**	6,580
Unallocated head office and corporate expenses	**(11,887)**	(13,144)
Consolidated loss for the year	**(36,404)**	(201,293)

(c) Geographical information

The Group's revenue and profit/(loss) are derived entirely from the manufacturing and sales of chilled and frozen meat and processed meat products in 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 2024 and 2023, there was no single external customer that contributed 10% or more of the Group's total revenue from external customers.

7. REVENUE

Revenue represents the sale 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.

	2024 $'000	2023 $'000
Sales of chilled and frozen meat, recognised at a point in time	**552,598**	966,400
Sales of processed meat products, recognised at a point in time	**439,771**	444,543
	992,369	1,410,943

7. REVENUE (CONTINUED)

The following table provides information about trade receivables and contract liabilities from contracts with customers.

	2024 **$'000**	2023 $'000
Trade receivables, net (note 22)	**85,013**	108,683
Contract liabilities (note 27(ii))	**19,465**	28,906

As at 31 December 2024, the aggregated amounts of the transaction price allocated to the remaining performance obligations under the Group's existing contracts were $19,465,000 (2023: $28,906,000). These amounts represent revenue expected to be recognised in the future from the existing sales contracts. The Group will recognise the expected revenue in future when or as the goods are transferred to the customers, which is expected to occur in the next 12 months.

8. OTHER NET INCOME/(LOSSES)

	2024 **$'000**	2023 $'000
Government subsidies	**1,440**	3,772
Gain on disposal of a subsidiary (note 31)	**17,710**	–
Written-off value-added tax recoverable (note i)	**(35,446)**	(99,107)
Written-off right-of-use assets (note 17)	**–**	(43,094)
Gain on disposal of property, plant and equipment and lease prepayments	**21,796**	25,555
Written-off property, plant and equipment (note ii)	**(22,316)**	–
Written-off lease liabilities (note ii)	**60,651**	–
Gain on extinguishment of debt (note 25(iv))	**56,152**	–
Rental income	**331**	316
Sales of scrap	**774**	346
Sundry (expenses)/income, net	**(5,333)**	6,858
	95,759	(105,354)

Note:

(i) Written-off value-added tax recoverable was mainly derived from certain subsidiaries which have suspended or terminated their operations and the management of the Company expects these production bases may not be able to operate in certain period of time in future. These non-operating subsidiaries are entitled to the value-added tax recoverable but the utilisation of such value-added tax recoverable is remote.

(ii) Upon the maturity of certain lease agreements at the end of the reporting period, the operations associated with these leases were terminated accordingly. The management of the Company has opted not to exercise the option to purchase the underlying leasehold land and buildings as stipulated in the lease agreements. As a result, the remaining lease liabilities and corresponding property, plant and equipment of $60,651,000 and $22,316,000 respectively have been fully written-off for the year ended 31 December 2024.

9. LOSS BEFORE INCOME TAX

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

(a) Net finance costs

	2024	2023
	$'000	$'000
Interest on bank borrowings	**50,351**	35,918
Interest on lease liabilities	**2,062**	2,123
	52,413	38,041
Bank charges	**80**	48
Net foreign exchange loss	**37**	295
Interest income from bank deposits	**(211)**	(97)
	52,319	38,287

(b) Personnel expenses (including directors' remunerations)

	2024	2023
	$'000	$'000
Salaries, wages and other benefits	**61,736**	91,795
Contributions to defined contribution pension schemes	**3,811**	7,623
	65,547	99,418

The Group participates in pension schemes organised by the PRC government whereby the Group is required to pay annual contributions at rates of 16% (2023: 15% to 16%) of the standard wages determined by the relevant authorities in the PRC during the year ended 31 December 2024.

The Group also operates a Mandatory Provident Fund Scheme ("the MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF Scheme, the Group and its employees are each required to make contributions to the scheme at 5% (2023: 5%) of the employees' relevant income, subject to a cap of monthly relevant income of $30,000 (2023: $30,000). Contributions to the scheme vest immediately.

Save for the above schemes, the Group has no other material obligation for payment of retirement benefits beyond the contributions.

9. LOSS BEFORE INCOME TAX (CONTINUED)

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

(c) Other items

	2024 $'000	2023 $'000
Cost of inventories#	**877,027**	1,297,953
Write-down/(reversal of write-down) of inventories	**1,019**	(1,350)
Impairment losses on trade and other receivables, net^ (notes 22(b) and 22(c))	**55,879**	1,608
Impairment losses on property, plant and equipment^	**42,119**	56,495
Depreciation*		
– Owned property, plant and equipment	**27,693**	26,967
– Right-of-use-assets including:		
– Properties	**2,265**	5,241
– Lease prepayments (note 17)	**997**	1,210
Amortisation of intangible assets^ (note 19)	**–**	617
Auditors' remuneration		
– audit services	**1,250**	1,250
– other services	**550**	550

Cost of inventories included approximately $41,985,000 (2023: $85,969,000) relating to personnel expenses, depreciation and write-down/(reversal of write-down) of inventories, which amount were also included in the respective total amounts disclosed separately above or in note 9(b) for each of these types of expenses.

^ These items are included in "administrative and other operating expenses" in the consolidated statement of profit or loss and other comprehensive income.

* Depreciation included in "cost of sales", "distribution expenses" and "administrative and other operating expenses" amounting to approximately $4,338,000 (2023: $6,851,000), $509,000 (2023: $509,000) and $26,108,000 (2023: $26,058,000) respectively in the consolidated statement of profit or loss and other comprehensive income.

10. INCOME TAX CREDIT

Income tax credit in the consolidated statement of profit or loss and other comprehensive income represents:

	2024 **$'000**	2023 $'000
Current income tax expense	**–**	46
Over-provision in respect of prior years	**(45)**	(6,626)
Income tax credit in the consolidated statement of profit or loss and other comprehensive income	**(45)**	(6,580)

(a) Pursuant to the rules and regulations of Bermuda and 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 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 years ended 31 December 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 years ended 31 December 2024 and 2023.

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

At 31 December 2024, temporary differences relating to the undistributed profits of subsidiaries amounted to $507,557,000 (2023: $486,468,000). Deferred tax liabilities of $25,378,000 (2023: $24,323,000) in respect of the undistributed profits of $507,557,000 (2023: $486,468,000) were not recognised as at 31 December 2024 as the Group controls the dividend policy of these subsidiaries and it has been determined that it is probable that these profits will not be distributed in the foreseeable future.

In accordance with the accounting policy set out in note 4(i), the Group has not recognised (i) deferred tax assets in respect of cumulative tax losses arising in the PRC, which will expire in 5 years, of $1,372,789,000 (2023: $1,438,912,000) and the deductible temporary differences relating to property, plant and equipment of $166,869,000 (2023: $82,445,000) due to the unpredictability of future taxable profit streams in the relevant tax jurisdiction; (ii) deferred tax assets in respect of the deductible temporary differences relating to trade and other receivables of $7,997,000 (2023: $12,571,000) due to the effect is immaterial.

10. INCOME TAX CREDIT (CONTINUED)

(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.

Reconciliation between income tax credit and accounting loss at applicable tax rate:

	2024	2023
	$'000	$'000
Loss before income tax	**(36,449)**	(207,873)
Income tax using the PRC enterprise income tax rate of 25% (2023: 25%)	**(9,112)**	(51,968)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**1,014**	1,104
Effect of non-taxable income	**–**	(6,692)
Effect of non-deductible expenses	**4,667**	2,265
Over-provision in respect of prior years	**(45)**	(6,626)
Recognition of tax expense in relation to interest income from PRC subsidiaries	**–**	38
Effect of tax losses not recognised	**181**	71,076
Effect of temporary differences not recognised	**19,962**	(8,270)
Utilisation of tax losses not recognised	**(16,712)**	(7,507)
Income tax credit	**(45)**	(6,580)

11. INCOME TAX RECOVERABLE/(PAYABLE)

Income tax recoverable/(payable) in the consolidated statement of financial position represents:

	2024 $'000	2023 $'000
At beginning of the year	32	(2,067)
Provision for PRC income tax and withholding tax on profits and interest income from PRC subsidiaries for the year	–	(46)
Over-provision in respect of prior years	45	6,626
PRC income tax and withholding tax refunded	(45)	(3,632)
Exchange adjustment	(3)	(849)
At end of the year	29	32
Represented by:		
Income tax recoverable	62	66
Income tax payable	(33)	(34)
	29	32

12. DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	2024						
	Directors' fees $'000	Salaries, allowance and other benefits $'000	Contributions to retirement benefit schemes $'000	Discretionary bonuses $'000	Sub-total $'000	Equity-settled share-based payments (note) $'000	Total $'000
Executive directors							
Zhu Yuan (Chief Executive Officer)	687	1,313	–	–	2,000	–	2,000
Yang Linwei	–	656	51	–	707	–	707
Independent non-executive directors							
Gao Hui	253	–	–	–	253	–	253
Chen Jianguo	153	–	–	–	153	–	153
Xu Xinglian	132	–	–	–	132	–	132
Total	1,225	1,969	51	–	3,245	–	3,245

12. DIRECTORS' EMOLUMENTS (CONTINUED)

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows: (continued)

	2023						
	Directors' fees	Salaries, allowance and other benefits	Contributions to retirement benefit schemes	Discretionary bonuses	Sub-total	Equity-settled share-based payments (note)	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Executive directors							
Zhu Yuan (Chief Executive Officer)	689	1,311	–	–	2,000	–	2,000
Yang Linwei	–	722	46	–	768	–	768
Independent non-executive directors							
Gao Hui	253	–	–	–	253	–	253
Chen Jianguo	155	–	–	–	155	–	155
Xu Xinglian (appointed on 18 April 2023)	94	–	–	–	94	–	94
Miao Yelian (resigned on 18 April 2023)	33	–	–	–	33	–	33
Total	1,224	2,033	46	–	3,303	–	3,303

Note: These represent the estimated value of the non-cash share options granted to the Directors under the Company's share option scheme. The value of these share options were measured according to the Group's accounting policies for equity-settled share-based payment transactions as set out in note 4(k). Details of the principal terms and number of options granted, are disclosed in note 28.

Salaries, allowance and other benefits in kind paid to or for the executive directors are generally emoluments paid or payable in respect of those persons' other services in connection with the management of the affairs of the Company and its subsidiaries.

13. INDIVIDUALS WITH HIGHEST EMOLUMENTS

The five individuals with the highest emoluments included two (2023: two) existing directors whose emoluments are disclosed in note 12. The aggregate of the emoluments in respect of the remaining three (2023: three) individuals during the year ended 31 December 2024 are as follows:

	2024	2023
	$'000	$'000
Salaries and other emoluments	**4,992**	4,175
Contributions to retirement benefit schemes	**59**	54
Discretionary bonuses (note)	**–**	–
	5,051	4,229

Note: The discretionary bonuses are determined with reference to the individual performance of the employee.

The emoluments fell within the following bands:

	2024	2023
	Number of individuals	Number of individuals
<$1,000,000	**–**	1
$1,000,001 – $1,500,000	**2**	1
$2,000,001 – $2,500,000	**1**	1

For the years ended 31 December 2024 and 2023, no emoluments were paid by the Group to the Directors or the five highest paid individuals as an inducement to join or upon joining the Group and no other amounts were paid by the Group to the Directors, or the five highest paid individuals, as compensation for loss of office.

14. OTHER COMPREHENSIVE INCOME

The components of other comprehensive income do not have any significant tax effect for the years ended 31 December 2024 and 2023.

15. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share for the year ended 31 December 2024 is based on the loss attributable to equity holders of the Company for the year of $38,573,000 (2023: $147,641,000) and the weighted average number of 1,822,756,000 (2023: 1,822,756,000) shares in issue during the year.

(b) Diluted loss per share

The Company did not have any potential ordinary shares outstanding to be issued during the year ended 31 December 2024 (2023: the potential ordinary shares outstanding were anti-dilutive). Diluted loss per share is equal to basic loss per share.

16. PROPERTY, PLANT AND EQUIPMENT

	Properties $'000	Machinery and equipment $'000	Transportation vehicles $'000	Furniture and fixtures $'000	Construction in progress $'000	Total $'000
Cost:						
At 1 January 2023	1,184,499	599,162	17,003	30,265	250,237	2,081,166
Additions	3,769	7,714	92	1,018	2,157	14,750
Disposals	(2,830)	(2,854)	(330)	(190)	(102,182)	(108,386)
Effect of movements in exchange rates	(17,056)	(8,557)	(242)	(436)	(3,337)	(29,628)
At 31 December 2023 and 1 January 2024	1,168,382	595,465	16,523	30,657	146,875	1,957,902
Additions	**103**	**1,177**	**–**	**9,452**	**–**	**10,732**
Disposals/written-off	**(171,620)**	**(167,027)**	**(11,739)**	**(6,865)**	**(5,416)**	**(362,667)**
Effect of movements in exchange rates	**(25,225)**	**(12,061)**	**(36)**	**(566)**	**(13,454)**	**(51,342)**
Disposal of a subsidiary (note 31)	**(106,620)**	**(44,706)**	**(184)**	**(2,609)**	**(559)**	**(154,678)**
At 31 December 2024	**865,020**	**372,848**	**4,564**	**30,069**	**127,446**	**1,399,947**
Accumulated depreciation and impairment:						
At 1 January 2023	927,653	522,875	15,031	21,832	144,738	1,632,129
Depreciation	12,994	17,160	1,045	1,009	–	32,208
Disposals	(2,830)	(2,836)	(329)	(189)	(59,740)	(65,924)
Impairment loss	24,129	26,536	9	467	5,354	56,495
Effect of movements in exchange rates	(13,288)	(7,570)	(221)	(315)	(2,061)	(23,455)
At 31 December 2023 and 1 January 2024	948,658	556,165	15,535	22,804	88,291	1,631,453
Depreciation	**10,831**	**17,204**	**284**	**1,639**	**–**	**29,958**
Disposals/written-off	**(139,282)**	**(154,542)**	**(11,363)**	**(6,865)**	**–**	**(312,052)**
Impairment loss	**14,874**	**2,746**	**–**	**38**	**24,461**	**42,119**
Effect of movements in exchange rates	**(22,528)**	**(17,679)**	**(87)**	**(1,385)**	**(1,888)**	**(43,567)**
Disposal of a subsidiary (note 31)	**(99,496)**	**(44,117)**	**(177)**	**(2,285)**	**(429)**	**(146,504)**
At 31 December 2024	**713,057**	**359,777**	**4,192**	**13,946**	**110,435**	**1,201,407**
Carrying amounts:						
At 31 December 2024	**151,963**	**13,071**	**372**	**16,123**	**17,011**	**198,540**
At 31 December 2023	219,724	39,300	988	7,853	58,584	326,449

16. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

All properties are located in the PRC. The Group has lease contracts for various items of land and properties used in its operations. Leases of land from the owners generally with lease periods of 20 to 40 years, while properties generally have various lease terms.

Ownership certificates of certain properties, included in the above analysis, with an aggregate carrying value of $39,665,000 (2023: $43,220,000) at 31 December 2024 are yet to be obtained. The Directors are of the opinion that the Group is entitled to lawfully and validly occupy and use the properties, and therefore the aforesaid matter did not have any significant impact on the Group's financial position as at 31 December 2024.

Certain right-of-use assets related to leases of properties are included in "properties" of the above analysis. Information about these right-of-use assets is presented below:

Right-of-use assets

	2024	2023
	Properties	Properties
	$'000	$'000
At 1 January	**3,707**	19,807
Addition	**–**	3,096
Depreciation	**(2,265)**	(5,241)
Disposals/written-off	**(579)**	–
Impairment loss	**–**	(13,697)
Effect of movement in exchange rates	**(14)**	(258)
At 31 December	**849**	3,707

Pursuant to a reorganisation (the "Reorganisation") of the Group completed on 10 September 2005 to rationalise the group structure in preparation for the public listing of the Company's shares on the Main Board of the Hong Kong Stock Exchange, certain property, plant and equipment owned by the entities under common control (collectively referred to as "Predecessor Entities") were not transferred to the Group but were leased to the Group (note 26) effected during the year ended 31 December 2005 and the lease agreements matured by 31 December 2024. The Predecessor Entities granted an option in favour of the Group to purchase the land use rights and properties subject to the relevant lease agreements at a consideration which is equal to the higher of:

(i) the fair market value at the time of exercise of the option; and

(ii) an amount calculated by reference to the net book value of the relevant land use rights and properties at the time the lease commenced, lease payment made and the leasing period.

16. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Impairment assessment

Certain CGUs of the Group resulted in operating loss continuously during the year. The management of the Company identified this as an impairment indicator and carried out an impairment review on the CGUs' non-current assets. In assessing the recoverable amounts, management expected that the business performance could be gradually improved during the projection period as a result of improving operating environment.

The management then updated the business plans of the Group based on its revised and updated assessment of the operating environment and as a consequence had identified certain production facilities whereby the management decided that the production activities would cease. Hence these items of property, plant and equipment and lease prepayments whose carrying values would likely to be recovered through sales rather than continuing use in operations of the Group were identified as at 31 December 2024. These assets were taken out from their CGUs to which they were belonged and written down to their recoverable amounts, which were measured based on their estimated fair value less costs of disposal. The valuation models used to estimate the fair values of these assets included the use of recent transaction prices of similar assets of similar age and conditions when such prices could be reliably obtained and depreciated replacement cost when appropriate. Depreciated replacement cost reflects adjustments for percentage of completion (for construction in progress), age, physical deterioration as well as economic obsolescence. The fair values upon which recoverable amounts of these assets were based are categorised as a Level 3 measurement under the fair value hierarchy. Key unobservable inputs used included replacement cost, economic obsolescence, and physical deterioration. Key assumptions in determining economic obsolescence include depreciation rate (10% (2023: 11%)) adopted in the valuation. An impairment loss on property, plant and equipment of $42,119,000 (2023: $56,495,000) was recognised in "administrative and other operating expenses" in respect of assets falling into this category for the year ended 31 December 2024. Any unfavourable change would lead to further impairment loss to be recognised in future financial years.

For assets which management considered were likely to be recoverable through continuing use in the operation of the Group, the Group assesses the recoverable amounts of each CGU to which these assets were belonged based on value-in-use calculations. These calculations used cash flow projections based on financial forecasts approved by management covering a five-year period. The key assumptions used during the five-year forecast period for the value-in-use calculations are as follows:

	At 31 December 2024		At 31 December 2023	
	CGUs in chilled and frozen meat segment	**CGU in processed meat products segment**	CGUs in chilled and frozen meat segment	CGU in processed meat products segment
Gross profit margin (average of next five years)	**1%**	**18%**	1%	17%
EBITDA margin (average of next five years)	**1%**	**15%**	1%	14%
Growth rate (average of next five years)	**3%**	**3%**	3%	3%
Discount rate	**10%**	**10%**	11%	11%

16. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Impairment assessment (Continued)

The management determined the budgeted gross profit margin, EBITDA 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. Cash flows beyond the five-year period are extrapolated using growth rate of 0% (2023: 0%), which does not exceed the long-term average growth rate for the business in which the CGU operates.

At 31 December 2024 and 2023, the recoverable amounts of the CGUs based on the estimate value-in-use calculations were higher than their carrying amounts, no impairment losses were recognised for the year ended 31 December 2024 and 2023.

17. LEASE PREPAYMENTS

	2024	2023
	$'000	$'000
At 1 January	**45,618**	90,699
Disposal	**(7,249)**	–
Written-off (note)	**–**	(43,094)
Depreciation	**(997)**	(1,210)
Exchange adjustment	**(934)**	(777)
Disposal of a subsidiary (note 31)	**(1,037)**	–
At 31 December	**35,401**	45,618

The lease prepayments represent leasehold lands located in the PRC, on which the Group built its factory plant and buildings.

Note:

Written-off lease prepayments amounted to $43,094,000 was recognised under "other net income/(losses)" (note 8) during the year ended 31 December 2023 as a result of the reclaiming of idle land by the municipal people's government in the PRC.

18. INVESTMENTS IN SUBSIDIARIES

Particulars of principal subsidiaries are set out in Appendix 1 on page 121.

19. INTANGIBLE ASSETS

	2024 $'000	2023 $'000
Cost:		
At 1 January	**5,086**	5,188
Additions	**3,103**	–
Effect of movements in exchange rates	**(156)**	(102)
At 31 December	**8,033**	5,086
Accumulated amortisation:		
At 1 January	**5,086**	4,529
Charge for the year	**–**	617
Effect of movements in exchange rates	**(109)**	(60)
At 31 December	**4,977**	5,086
Carrying amount:		
At 31 December	**3,056**	–

Intangible assets represent computer software acquired by the Group. Amortisation charge of intangible assets was included in "administrative and other operating expenses" (note 9(c)).

20. NON-CURRENT PREPAYMENTS AND OTHER RECEIVABLES

	2024	2023
	$'000	$'000
Value-added tax recoverable (note)	**37**	35
Prepayments for acquisitions of property, plant and equipment	**1,686**	1,723
	1,723	1,758

Note: Value-added tax recoverable is eligible for offset against future value-added tax payable with no time limit. As at 31 December 2024, based on the reassessment of the relevant facts and circumstances, the Directors expected that the utilisation of such amount of value-added tax recoverable will take more than 12 months from the reporting date and accordingly have classified this amount as non-current asset.

21. INVENTORIES

Inventories in the consolidated statement of financial position comprise:

	2024	2023
	$'000	$'000
Raw materials	**16,444**	52,163
Work in progress	**10,135**	10,750
Finished goods	**51,860**	83,093
	78,439	146,006

Write-down of inventories to their net realisable value amounting to $1,019,000 (2023: Reversal of write-down of inventories: $1,350,000) was recognised under "cost of sales" in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2024.

22. TRADE AND OTHER RECEIVABLES

	2024	2023
	$'000	$'000
Trade receivables	**93,010**	121,254
Less: ECLs (note (b))	**(7,997)**	(12,571)
Trade receivables, net (note (a))	**85,013**	108,683
Value-added tax recoverable	**61,468**	100,282
Deposits and prepayments	**69,603**	72,447
Other receivables (note (c))	**70,665**	171,344
	286,749	452,756

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

At 31 December 2024 and 2023, certain trade receivables were pledged against bank borrowings (note 25(ii)).

The Group's exposure to credit and foreign currency risk related to trade and other receivables are disclosed in note 32.

(a) Ageing analysis

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

	2024	2023
	$'000	$'000
Within 30 days	**82,346**	102,991
31 days to 90 days	**2,025**	26
91 days to 180 days	**642**	5,602
Over 180 days	**–**	64
	85,013	108,683

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.

22. TRADE AND OTHER RECEIVABLES (CONTINUED)

(b) Impairment of trade receivables

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables according to their past due dates:

	Gross carrying amount $'000	**Loss allowance $'000**	**Net carrying amount $'000**
As at 31 December 2024			
Within 30 days	**85,773**	**(2,032)**	**83,741**
31 days to 90 days	**1,342**	**(304)**	**1,038**
91 days to 180 days	**2,787**	**(2,553)**	**234**
Over 180 days	**3,108**	**(3,108)**	**–**
	93,010	**(7,997)**	**85,013**

	Gross carrying amount $'000	Loss allowance $'000	Net carrying amount $'000
As at 31 December 2023			
Within 30 days	106,135	(3,126)	103,009
31 days to 90 days	5,026	(1,574)	3,452
91 days to 180 days	5,800	(3,578)	2,222
Over 180 days	4,293	(4,293)	–
	121,254	(12,571)	108,683

ECLs rates are based on historical loss experience over the past 3 years. These rates are adjusted to reflect differences between economic conditions during the year over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the trade receivables.

22. TRADE AND OTHER RECEIVABLES (CONTINUED)

(b) Impairment of trade receivables (Continued)

Movement in the loss allowance in respect of trade receivables during the year is as follow:

	2024 $'000	2023 $'000
At 1 January	**12,571**	11,122
(Reversal of impairment losses)/impairment losses recognised	**(4,305)**	1,608
Effect of movements in exchange rate	**(269)**	(159)
At 31 December	**7,997**	12,571

(c) Impairment of other receivables

	2024 $'000	2023 $'000
Other receivables	**156,906**	197,970
Less: Impairment	**(86,241)**	(26,626)
	70,665	171,344

At 31 December 2024, included in the Group's other receivables was the consideration receivables from independent third parties amounted to $12,059,000 (2023: $Nil), arising from disposal of a subsidiary (note 31) during the year.

The movement in provision for impairment of other receivables during the year is as follows:

	2024 $'000	2023 $'000
At 1 January	**26,626**	27,010
Impairment losses recognised	**60,184**	–
Effect of movements in exchange rate	**(569)**	(384)
At 31 December	**86,241**	26,626

The above provision for impairment losses of other receivables represents provision for individually impaired other receivables of $86,241,000 (2023: $26,626,000) with a carrying amount of $86,241,000 (2023: $26,626,000). The individually impaired receivables mainly relate to other receivables which the Group consider that the chances of collection of the outstanding amounts are remote.

23. CASH AND CASH EQUIVALENTS

Cash and cash equivalents denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2024	2023
	$'000	$'000
RMB	38,195	37,124
United Stated dollars ("USD")	1,300	777
Euro dollars ("EUR")	209	209
Other currencies	1,279	1,188
	40,983	39,298

At the end of the reporting period, the cash and cash equivalents of the Group denominated in RMB amounted to approximately $38,195,000 (2023: approximately $37,124,000). RMB is not freely convertible into other currencies, however, under Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations of the PRC. Exchanging RMB for other currencies is permitted through the banks that are authorised to conduct foreign exchange business.

24. OTHER CASH FLOW INFORMATION

Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flow as cash flows from financing activities.

	Bank borrowings $'000 (note 25)	Lease liabilities $'000 (note 26)
At 1 January 2023	483,894	62,914
Changes from financing cash flows:		
Repayments of bank borrowings	(10,360)	–
Payments of lease liabilities	–	(4,442)
	(10,360)	(4,442)
Exchange adjustment	(6,840)	(888)
Other changes:		
Addition of lease liabilities	–	3,096
Interest on lease liabilities (note 9(a))	–	2,123
Interest on bank borrowings	1,531	–
	1,531	5,219
At 31 December 2023	468,225	62,803
At 1 January 2024	**468,225**	**62,803**
Changes from financing cash flows:		
Repayments of bank borrowings	**(15,348)**	**–**
Payments of lease liabilities	**–**	**(2,929)**
	(15,348)	**(2,929)**
Exchange adjustment	**(9,784)**	**(403)**
Other changes:		
Interest on lease liabilities (note 9(a))	**–**	**2,062**
Written-off lease liabilities	**–**	**(60,651)**
Interest on bank borrowings	**1,307**	**–**
Gain on extinguishment of debt	**(789)**	**–**
	518	**(58,589)**
At 31 December 2024	**443,611**	**882**

25. BANK BORROWINGS

The bank borrowings are repayable as follows:

	2024 $'000	2023 $'000
Current		
– Within one year or on demand	**369,922**	446,196
Non-current		
– After one year but within two years	**26,997**	8,123
– After two years but within five years	**46,692**	13,906
	73,689	22,029
Total bank borrowings	**443,611**	468,225

	2024 $'000	2023 $'000
Terms		
Unsecured bank borrowings denominated in RMB		
– Fixed interest rate at 3.6% (2023: Variable interest rate at prevailing market rate) (notes (i), (iii) and (iv))	**72,674**	86,028
– Fixed interest rate from 4.69% to 5.34% (2023: 4.69% to 5.34%) (notes (i) and (iii))	**343,553**	351,041
Secured bank borrowings denominated in RMB		
– Variable interest rate at 3.78% (2023: 3.87%) (notes (ii))	**27,384**	31,156

Notes:

(i) As at 31 December 2024, the Group could not fulfil certain covenants imposed by the bank on certain bank borrowings of $343,553,000 (2023: $437,069,000). All of these bank borrowings and the accrued interest of $250,721,000 (2023: $263,326,000) were overdue.

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.

25. BANK BORROWINGS (CONTINUED)

Notes: (continued)

(ii) The carrying value of assets pledged against the bank borrowings is analysed as follows:

	2024	2023
	$'000	$'000
Trade receivables	**16,570**	12,723

(iii) At 31 December 2024, there were outstanding litigations commenced by the bank in the PRC against a subsidiary of the Group requesting such subsidiary to repay the outstanding bank borrowings of $343,553,000 (2023: $437,069,000) (as mentioned in note 25(i)) or to secure the repayment with assets of equivalent amounts immediately.

Among these, the court in the PRC handed down the judgements in related to certain outstanding bank borrowings during the year ended 31 December 2023. As at 31 December 2024, the subsidiary shall repay the outstanding bank borrowings together with accrued interest of $416,664,000 (2023: $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 in note 25(i), the Group will continue to negotiate with the bank on these bank borrowings.

(iv) In December 2024, the Group had undergone a mediation with a bank for an agreed settlement plan on bank borrowing with principal of $83,109,000 and accrued interests of $55,363,000. The agreed settlement plan contains modifications to the contractual terms of the bank borrowings which are considered substantial and resulted in the recognition of gain on extinguishment of debt of $56,152,000 (note 8) during the year ended 31 December 2024.

Up to the date of approval of these consolidated financial statements, except for the abovementioned bank borrowing, the remaining bank borrowings were not yet renewed nor repaid. Further details of the Group's management of liquidity risk are set out in note 32(b).

26. LEASES

Nature of leasing activities (in the capacity as lessee)

The group leases a number of properties in the jurisdictions from which it operates. The periodic rent is fixed over the lease term.

RIGHT-OF-USE ASSETS

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	2024	2023
	$'000	$'000
Ownership interests in leasehold land (note 17), carried at amortised cost with remaining lease term of:		
– Between 10 and 50 years	**35,401**	45,618
Ownership interests in leasehold properties (note 16), carried at depreciated cost with remaining lease term of:		
– Between 10 and 50 years	**–**	2,259
Other properties leased for own use (note 16), carried at depreciated cost	**849**	1,448

26. LEASES (CONTINUED)

Lease liabilities

	2024 Properties $'000	2023 Properties $'000
At 1 January	**62,803**	62,914
Addition	**–**	3,096
Interest expense	**2,062**	2,123
Payments of lease liabilities	**(2,929)**	(4,442)
Written-off lease liabilities (note 8(ii))	**(60,651)**	–
Foreign exchange movements	**(403)**	(888)
At 31 December	**882**	62,803

Future lease payments are due as follows:

	2024		
	Minimum lease payments $'000	**Interest $'000**	**Present value of minimum lease payments $'000**
Within one year	**644**	**28**	**616**
After one but within two years	**269**	**3**	**266**
	913	**31**	**882**

26. LEASES (CONTINUED)

Lease liabilities (Continued)

	2023		
	Minimum lease payments $'000	Interest $'000	Present value of minimum lease payments $'000
Within one year	2,944	2,075	869
After one but within two years	2,944	2,035	909
After two but within five years	33,184	3,374	29,810
More than five years	35,291	4,076	31,215
	71,419	9,485	61,934
	74,363	11,560	62,803

The present value of future lease payments are analysed as:

	2024 **$'000**	2023 $'000
Current liabilities	**616**	869
Non-current liabilities	**266**	61,934
	882	62,803

27. TRADE AND OTHER PAYABLES

	2024 $'000	2023 $'000
Trade payables (note (i))	**113,855**	171,617
Deposits from customers	**20,322**	20,038
Contract liabilities (note (ii))	**19,465**	28,906
Salary and welfare payables	**10,414**	12,024
Value-added tax payable	**64,229**	66,331
Payables for acquisitions of property, plant and equipment	**27,229**	30,081
Provision for losses on litigations	**63,299**	64,682
Interest payables	**250,721**	263,326
Other payables and accruals	**338,489**	513,263
	908,023	1,170,268

Notes:

(i) All of the trade and other payables (including amounts due to related parties) are expected to be settled within one year or are repayable on demand.

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

	2024 $'000	2023 $'000
Within 30 days	**37,594**	64,900
31 days to 90 days	**8,311**	57,651
91 days to 180 days	**37,981**	7,197
Over 180 days	**29,969**	41,869
	113,855	171,617

27. TRADE AND OTHER PAYABLES (CONTINUED)

Notes: (continued)

(ii) Contract liabilities

	2024 **$'000**	2023 $'000
Contract liabilities arising from:		
Sale of goods	**19,465**	28,906

Movements in contract liabilities are as follow:

	2024 **$'000**	2023 $'000
Balance as at 1 January	**28,906**	24,583
Decrease in contract liabilities as a result of recognition of revenue during the year	**(28,716)**	(24,370)
Increase in contract liabilities as a result of received receipts in advance from the customers that the goods have not yet transferred or not yet accepted by the customers	**19,759**	29,070
Disposal of a subsidiary	**(210)**	–
Exchange realignment	**(274)**	(377)
Balance as at 31 December	**19,465**	28,906

Typical payment terms which impact on the amount of contract liabilities are as follows:

Sale of goods

As noted above, the receipts in advance received from the customers remains as a contract liability until the goods have been transferred and accepted by the customer.

All the contract liabilities as at 31 December 2023 were recognised as revenue during the year ended 31 December 2024. The Group expects that the contract liabilities as at 31 December 2024 will be recognised as revenue within a year.

28. EQUITY-SETTLED SHARE-BASED PAYMENTS

On 10 September 2005, the Group established a share option scheme that entitles qualified employees to purchase shares in the Company. On 10 November 2006, 3 September 2011, 25 March 2013 and 14 June 2013, the Group granted 40,250,000 options ("2006 Options"), 83,400,000 options ("2011 Options"), 59,600,000 options ("2013 March Options") and 105,500,000 options ("2013 June Options") to qualified employees respectively. Each option gives the holders the right to subscribe for one ordinary share in the Company.

(a) Term and conditions of the grants are as follows:

All the options have a contractual life of ten years. All the options granted are subject to a vesting scale in tranches of 25% each per annum starting from 2008, 2012, 2014 and 2014 after announcement of results for the previous year for 2006 Options, 2011 Options, 2013 March Options and 2013 June Options respectively, and achievement of performance-based vesting condition. The option shall lapse when the performance-based condition is not satisfied.

The Company estimated that the performance-based condition of the 2011 Options, 2013 March Options and 2013 June Options would not be achieved and hence no amount is recognised as cost of services received from the grantees.

The Directors approved to waive the performance-based condition set by the Company for the third and fourth tranche of 2013 March Options and 2013 June Options in order to provide incentives for the qualified employees. No cost of services received from the grantees was recognised for the years ended 31 December 2024 and 2023.

(b) The number and weighted average exercise prices of share options are as follows:

	2024		2023	
	Weighted average exercise price	**Number of options ’000**	Weighted average exercise price	Number of options ’000
Outstanding at 1 January	–	–	5.07	14,350
Lapsed during the year	–	–	5.07	(14,350)
Outstanding at 31 December	–	–	–	–
Exercisable at 31 December	–	–	–	–

There were no outstanding share options as at 31 December 2024 and 31 December 2023. No share options have been granted/exercised/lapsed/cancelled during the year ended 31 December 2024.

2013 March Options and 2013 June Options outstanding during the year ended 31 December 2023 had exercise price of $5.142 and $5.002 respectively.

28. EQUITY-SETTLED SHARE-BASED PAYMENTS (CONTINUED)

(c) Fair value of share options and assumptions

The fair values of services received in return for 2013 March Options and 2013 June Options granted were measured by reference to the fair values of share options granted based on a binomial model.

Fair values of 2013 March Options and 2013 June Options and assumptions:

	2013 March Options granted on 25 March 2013	2013 June Options granted on 14 June 2013
Share price at grant date	$5.03	$4.86
Exercise price	$5.142	$5.002
Expected volatility (expressed as weighted average volatility used in modelling under binomial model)	55.3%	55.4%
Option life (expressed as weighted average life used in the modelling under binomial model)	10 years	10 years
Expected dividends	1.0%	1.0%
Risk-free interest rate (based on Exchange Fund Notes)	1.212%	1.605%

The expected volatilities are based on the historic volatility (calculated based on the weighted average remaining life of the 2013 March Options and 2013 June Options respectively), adjusted for any expected changes to future volatilities based on publicly available information. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

Based on the fair values derived from the above pricing model, the fair value of the 2013 March Options and 2013 June Options were $142,708,000 ($2.3944 each) and $248,106,000 ($2.3517 each) respectively.

29. SHARE CAPITAL

Authorised and issued share capital

	2024		2023	
	Number of ordinary shares ’000	**Amount $’000**	Number of ordinary shares ’000	Amount $’000
Authorised:				
At 1 January and 31 December	**3,000,000**	**300,000**	3,000,000	300,000
Issued and fully paid:				
At 1 January and 31 December	**1,822,756**	**182,276**	1,822,756	182,276

30. RESERVES AND DIVIDENDS

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

(a) The Company

	Share premium (note 30(b)) $'000	Contributed surplus (note 30(g)) $'000	Accumulated losses $'000	Total $'000
At 1 January 2023	7,400,418	297,480	(7,530,027)	167,871
Loss for the year	–	–	(6,888)	(6,888)
At 31 December 2023	7,400,418	297,480	(7,536,915)	160,983
At 1 January 2024	**7,400,418**	**297,480**	**(7,536,915)**	**160,983**
Loss for the year	**–**	**–**	**(23,188)**	**(23,188)**
At 31 December 2024	**7,400,418**	**297,480**	**(7,560,103)**	**137,795**

(b) Share premium

Under the Bermuda Companies Act 1981, the share premium account may be applied by the Company in paying up unissued shares of the Company to be issued to members of the Company as fully paid bonus shares.

(c) Capital surplus

The capital surplus represented the excess of paid-in capital of the companies comprising the Group.

(d) Merger reserve

The merger reserve of the Group represents the difference between the net carrying value of the Predecessor Entities and non-controlling interests acquired over the consideration given. This reserve is distributable.

(e) PRC statutory reserves

Transfers from retained earnings to PRC statutory reserves were made in accordance with the relevant PRC rules and regulations and the articles of association of the Company's subsidiaries incorporated in the PRC and were approved by the respective boards of directors.

(i) Statutory surplus reserve

The domestic companies in the PRC are required to transfer 10% of their net profit, as determined in accordance with the PRC accounting rules and regulations, to the statutory surplus reserve until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before distribution of a dividend to equity owners.

30. RESERVES AND DIVIDENDS (CONTINUED)

(e) PRC statutory reserves (Continued)

(ii) Statutory general reserve

Under the PRC Company Law and the subsidiaries' articles of association, each of the subsidiaries of the Group which is a foreign investment enterprise in the PRC is required to transfer at least 10% of its net profit, as determined under the PRC accounting rules and regulations, to statutory general reserve until the reserve balance reaches 50% of the capital. The transfer to this reserve must be made before distribution of a dividend to equity owners.

Statutory surplus reserve and statutory general reserve can be used to make good previous years' losses, if any, and may be converted into share capital by issuing new shares to equity owners proportionate to their existing percentage of equity interests provided that the balance after such issue is not less than 25% of the registered capital.

(f) Exchange reserve

The exchange reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

(g) Contributed surplus

Pursuant to the Reorganisation, the Company became the holding company of the Group on 10 September 2005. The excess of the consolidated net assets represented by the shares acquired over the nominal value of the shares issued by the Company in exchange under the Reorganisation was transferred to contributed surplus.

(h) Distributable reserves

In addition to retained earnings, under the Bermuda Companies Act 1981, the contributed surplus account of the Company is also available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

(i) it is, or would after the payment be, unable to pay its liabilities as they become due; or

(ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

At 31 December 2024, the Company had reserves available for distribution to equity holders of the Company amount to $137,795,000 (2023: $160,983,000).

(i) Dividend

The Board does not recommend the payment of a dividend for the year ended 31 December 2024 (2023: Nil).

30. RESERVES AND DIVIDENDS (CONTINUED)

(j) Capital management

The Board's capital management policies are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. Certain measures have been taken by the Directors to mitigate the liquidity pressure as set out in note 3(b). The Board monitors the return on capital (defined by the Group as profit attributable to equity holders of the Company divided by total equity attributable to equity holders of the Company, excluding non-controlling interests) and the level of dividends to ordinary shareholders. In order to maintain the capital structure, the Company may also repurchase existing shares. There was capital deficiency of $704,841,000 at 31 December 2024, calculation of return on capital at 31 December 2024 was inappropriate. The Group is not subject to externally imposed capital requirement.

31. CHANGES IN GROUP STRUCTURE

Disposal of a subsidiary

In December 2024, the Group entered into equity transfer agreement with an independent third party company (the "Purchaser") to dispose of 80% of equity interests of a subsidiary under chilled and frozen meat segment at a consideration of $12,059,000. The net liabilities of the subsidiary at the date of disposal were as follows:

	$'000
Net liabilities disposed of:	
Property, plant and equipment	**8,174**
Lease prepayments	**1,037**
Cash and cash equivalents	**2**
Inventories	**360**
Trade and other receivables	**4,632**
Trade and other payables	**(16,130)**
	(1,925)
Non-controlling interests	**385**
Exchange reserve reclassified to profit or loss upon disposal	**(4,111)**
Gain on disposal of a subsidiary (note 8)	**17,710**
Total consideration	**12,059**
Satisfied by:	
Consideration receivable (note 22(c))	**12,059**
Net cash outflow arising from the disposal	
Cash and cash equivalents disposed of a subsidiary	**2**

32. FINANCIAL RISK MANAGEMENT AND FAIR VALUES

The Group are exposure to the following risks arising from financial instruments:

- credit risk
- liquidity risk
- interest rate risk
- foreign currency risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk.

Risk management framework

The Directors are responsible for the establishment and oversight of the Group's risk management framework.

The Group's internal control systems are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The internal control systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which employees understand their roles and obligations.

The audit committee of the Company oversees how management monitors compliance with the Group's internal control systems and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The audit committee of the Company is assisted in its oversight role by Internal audit department. Internal audit department undertakes both regular and ad hoc reviews of risk management controls and procedures, the findings and recommendations of which are reported to the audit committee of the Company.

32. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(a) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers, derivative financial instruments and deposits with banks. The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer and counterparty to the financial instruments.

Trade and other receivables

The Group has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. Credit limits are established for each customer, which represent the maximum open amount without requiring special approval from senior management; these limits are reviewed annually. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group on a prepayment basis.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 24% (2023: 15%) of the trade receivables were due from the five largest customers of the Group, all of whom are companies which have good track record with the Group.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

Credit risk on trade and other receivables has already been taken into account as trade and other receivables are shown in the consolidated statement of financial position net of impairment losses. Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 22.

Cash and cash equivalents

Cash is placed with a group of banks in the PRC and Hong Kong which management considers have good credit ratings.

32. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. As disclosed in note 3(b), certain measures have been taken by the Directors to mitigate the liquidity pressures faced by the Group.

The contractual maturities and contractual cash outflow of the lease liabilities are disclosed in note 26. The following are the contractual maturities at the end of the reporting period of bank borrowings of the Group based on lender's ability to demand earliest repayment:

31 December 2024

	Carrying amount $'000	**Contractual undiscounted cash flows $'000**	**3 months or less or on demand $'000**	**3-6 months $'000**	**6-9 months $'000**	**9-12 months $'000**	**1-2 years $'000**	**2-5 years $'000**
Bank borrowings	**443,611**	**450,501**	**351,663**	**4,050**	**4,050**	**16,657**	**25,365**	**48,716**

31 December 2023

	Carrying amount $'000	Contractual undiscounted cash flows $'000	3 months or less or on demand $'000	3-6 months $'000	6-9 months $'000	9-12 months $'000	1-2 years $'000	2-5 years $'000
Bank borrowings	468,225	471,202	437,069	–	–	9,508	8,734	15,891

Save as the above, the Group's other financial liabilities are required to be settled within one year or on demand and the total contractual undiscounted cash outflows of these financial liabilities approximate to their carrying amounts on the consolidated statement of financial position.

32. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(c) Interest rate risk

The Group's interest rate risk arises primarily from long-term borrowings. Borrowings issued at variable rates and fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group actively monitors the interest rate fluctuation to ensure that its net exposure is kept to an acceptable level.

The interest rates and terms of repayment of bank borrowings are disclosed in note 25.

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the end of the reporting period would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

An increase of 100 basis points in interest rates at the end of the reporting period would have increased the Group's accumulated losses and loss for the year by approximately $205,000 (2023: $879,000). This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The impact on the Group's loss after tax and accumulated losses is estimated as impact on interest expense in respect of the borrowing remaining outstanding as at the end of the reporting period of such a change in interest rate. The analysis is performed on the same basis for 2023.

A decrease of 100 basis points in interest rates at the end of the reporting period would have had the equal amount but opposite effect, on the basis that all other variables remain constant.

(d) Foreign currency risk

Substantially all the revenue-generating operations of the Group are transacted in RMB, the functional currency of the operating subsidiaries in the PRC, which is not freely convertible into foreign currencies. All foreign exchange transactions in the PRC must take place either through the People's Bank of China ("PBOC") or other institutions authorised to buy and sell foreign currencies. The exchange rate adopted for the foreign exchange transactions are the rates of exchange quoted by the PBOC that would be subject to a managed float against an unspecified basket of currencies. Approval of foreign currency payments, including remittances of dividends, by the PBOC or other institutions requires submitting a payment application form together with relevant supporting documents.

The Group actively monitors foreign exchange rate fluctuations to ensure that its net exposure is kept to an acceptable level.

32. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(d) Foreign currency risk (Continued)

Included in assets and liabilities are the following balances denominated in a currency other than the functional currency of the entity to which they relate:

	Exposure to foreign currencies (expressed in HKD)					
	2024			2023		
	EUR	**USD**	**RMB**	EUR	USD	RMB
	$'000	**$'000**	**$'000**	$'000	$'000	$'000
Other current assets	**209**	**1,300**	**11**	209	14,173	11
Other current liabilities	**–**	**–**	**–**	–	–	–
	209	**1,300**	**11**	209	14,173	11

As HKD is pegged to USD, the Group considers the risk of movements in exchange rates between HKD and USD to be insignificant.

No sensitivity analysis for the Group's exposure to currency risk arising from financial assets and liabilities denominated in EUR and RMB is prepared since the Directors considered that the impact is insignificant.

(e) Fair value

Fair values versus carrying amounts

The fair values of cash and cash equivalents, trade and other receivables, trade and other payables, amounts due from/to related parties and short-term bank borrowings are not materially different from their carrying amounts based on the nature or short-term maturity of these instruments.

The carrying amounts of the Group's long-term bank borrowings approximate their fair values because the borrowing rates were similar to rates currently available for bank borrowings with similar terms and maturity.

32. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(e) Fair value (Continued)

Fair values versus carrying amounts (Continued)

The fair value and the level of fair value hierarchy of the Group's other financial liabilities estimated by discounting estimated future cash flows using the Group's financing interest rate is as follows:

	2024			2023		
	Carrying amount $'000	**Fair value $'000**	**Fair value measurements categorised into Level 2 $'000**	Carrying amount $'000	Fair value $'000	Fair value measurements categorised into Level 2 $'000
Lease liabilities	**882**	**882**	**882**	62,803	62,803	62,803

The interest rates used to estimate the fair value of financial instruments above are based on the Group's financing interest rates. The interest rates used are as follows:

	2024	2023
Lease liabilities	**4.81%**	3.65%

Fair value estimates are made at a specific point in time and based on relevant market information and information about the financial instruments. These estimates are subjective in nature and involve uncertainties and matters of significant judgement and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

(f) Natural risk

The Group is engaged in slaughtering, production and sale of chilled and frozen meat and processed meat products. An occurrence of serious animal diseases, such as African swine fever, foot-and-mouth disease, or any outbreak of other epidemics in the PRC affecting animals or humans might result in material disruptions to the Group's operations and revenue.

The Group has implemented stringent quality control measures both in the procurement and production stages. All raw materials are subject to vigorous inspections and examination. The Group also has regular communications with animal epidemic prevention supervisory departments and implemented the animal epidemic prevention policies promulgated by the supervisory departments.

33. COMMITMENTS AND CONTINGENT LIABILITIES

(a) Capital commitments

Capital commitments outstanding at 31 December 2024 in respect of property, plant and equipment not provided for in the consolidated financial statements were as follows:

	2024 $'000	2023 $'000
Contracted for	**358,028**	470,868

(b) Contingent liabilities

As at the end of the reporting period, expect for the litigations commenced by the bank against a subsidiary of the Group as disclosed in note 25(iii), the Group was not involved 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 31 December 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.

34. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in the consolidated financial statements, the Group had material related party transactions during the year as described below. Related companies in the consolidated financial statements refer to companies owned and controlling by Mr. Zhu Yicai ("Mr. Zhu"), the Honorary Chairman and the senior advisor of the Board, who also has beneficial interest in the shares of the Company.

(a) Significant related party transactions

(i) Sales and purchases of raw materials and finished goods:

	2024 $'000	2023 $'000
Sales of raw materials to related companies	**1,053**	3,409
Sales of finished goods to related companies	**170,968**	213,258
Purchases of raw materials from related companies	**3,483**	4,100

(ii) Lease of property, plant and equipment and land use rights

Certain property, plant and equipment and land use rights owned by the Predecessor Entities were leased to the Group under leases (notes 16 and 26). The rental paid or payable to the Predecessor Entities for the year ended 31 December 2024 amounted to $3,070,000 (2023: $3,107,000).

34. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Significant related party transactions (Continued)

(iii) Use of property, plant and equipment and land use rights of the Predecessor Entities

Certain Predecessor Entities made available their properties and land use rights with a total carrying value of $38,646,000 (2023: $40,277,000) as at 31 December 2024 to the Group. No rental is paid or payable by any of the companies in the Group.

(b) Amounts due from related parties

	2024 **$'000**	2023 $'000
Trade receivables due from related companies	**34,530**	82,312
Other receivables due from related companies	**–**	51,835

Amounts due from related parties are unsecured, interest free and are expected to be recovered within one year. There was no impairment made against these amounts at 31 December 2024 and 2023.

(c) Amounts due to related parties

	2024 **$'000**	2023 $'000
Trade payables due to related companies	**12,927**	40,998
Other payables due to related companies	**237,052**	391,566

(i) Certain related companies settled certain payables on behalf of the Group during the year ended 31 December 2024 and 2023.

Amounts due to related parties are unsecured, interest free and have no fixed terms of repayment.

(d) Key management personnel remuneration

Remuneration for key management personnel, mainly representing the amounts paid to the Directors and a chief executive of the Company, was disclosed in note 12.

35. COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Notes	2024 $'000	2023 $'000
Non-current assets			
Investments in subsidiaries		**390,966**	408,212
Current assets			
Other receivables		**574**	570
Cash and cash equivalents		**444**	576
		1,018	1,146
Current liabilities			
Amounts due to subsidiaries		**38,145**	32,574
Amounts due to related companies		**27,158**	27,011
Other payables		**6,610**	6,514
		71,913	66,099
Net current liabilities		**(70,895)**	(64,953)
Total assets less current liabilities		**320,071**	343,259
Net assets		**320,071**	343,259
Equity			
Share capital	29	**182,276**	182,276
Reserves	30(a)	**137,795**	160,983
Total equity		**320,071**	343,259

36. SUBSEQUENT EVENTS

On 25 March 2025, the Board approved a capital expenditure plan for 2025 amounting to RMB15,000,000 (equivalent to approximately $16,199,000).

APPENDIX 1

The following list contains only the particulars of subsidiaries as at 31 December 2024 which principally affected the results, assets or liabilities of the Group.

Name of company (note (iii))	Place of establishment and operation	Registered capital	Attributable equity interest held by the Company		Principal activity
			Direct	Indirect	
			%	%	
Fuyang Yurun Meat Processing Co., Ltd. (note (i)) 阜陽雨潤肉類加工有限公司	The PRC	USD44,000,000	–	100%	Production and sales of processed meat products
Gansu Yurun Meat Processing Co., Ltd. (note(i)) 甘肅雨潤肉類加工有限公司	The PRC	USD1,000,000	–	100%	Production and sales of processed meat products
Guangzhou Yurun Meat Product Co., Ltd.(note(i)) 廣州雨潤肉類食品有限公司	The PRC	USD10,000,000	–	100%	Production and sales of processed meat products
Harbin Dazhong Roulian Food Co., Ltd. (note(ii)) 哈爾濱大眾肉聯食品有限公司	The PRC	USD50,000,000	–	99%	Slaughtering, production and sales of chilled and frozen meat and processed meat products
Shihezi Tianshi Meat Processing Co., Ltd. (note (ii)) 石河子市天石肉類加工有限公司	The PRC	RMB130,000,000	–	90%	Slaughtering, production and sales of chilled and frozen meat

Notes:

(i) These entities established in the PRC are wholly foreign owned enterprises.

(ii) These entities established in the PRC are domestic limited liability companies.

(iii) The English translation of the company names of the companies established in the PRC is for reference only. The official names of these companies are in Chinese.

All of these are controlled subsidiaries as defined under note 4(a)(ii) and have been consolidated into the consolidated financial statements.

There were no changes in equity interests of the above-mentioned subsidiaries held by the Company during the year.

None of the subsidiaries issued any debt securities as at 31 December 2024.

FIVE-YEAR SUMMARY

	2020 $'000	2021 $'000	2022 $'000	2023 $'000	**2024** **$'000**
Assets and liabilities					
Non-current assets	5,798,076	791,259	635,738	373,825	**238,720**
Net current liabilities	(8,945,133)	(1,192,791)	(1,037,612)	(979,241)	**(872,361)**
Total assets less current liabilities	(3,147,057)	(401,532)	(401,874)	(605,416)	**(633,641)**
Non-current liabilities	(97,500)	(68,087)	(92,719)	(83,963)	**(73,955)**
Net liabilities	(3,244,557)	(469,619)	(494,593)	(689,379)	**(707,596)**
Share capital	182,276	182,276	182,276	182,276	**182,276**
Reserves	(3,484,237)	(713,617)	(725,627)	(877,245)	**(887,117)**
Total equity attributable to equity holders of the Company	(3,301,961)	(531,341)	(543,351)	(694,969)	**(704,841)**
Non-controlling interests	57,404	61,722	48,758	5,590	**(2,755)**
Total equity	(3,244,557)	(469,619)	(494,593)	(689,379)	**(707,596)**
Operating results					
Revenue	15,213,237	8,440,202	2,162,440	1,410,943	**992,369**
Results from operating activities	(1,620,917)	3,075,996	18,422	(169,586)	**15,870**
Net finance costs	(366,838)	(34,651)	(37,701)	(38,287)	**(52,319)**
(Loss)/profit before income tax	(1,987,755)	3,041,345	(19,279)	(207,873)	**(36,449)**
Income tax credit/(expense)	(23,951)	(10,838)	(6,050)	6,580	**45**
(Loss)/profit for the year	(2,011,706)	3,030,507	(25,329)	(201,293)	**(36,404)**
Attributable to:					
Equity holders of the Company	(2,019,264)	3,060,499	(15,037)	(147,641)	**(38,573)**
Non-controlling interests	7,558	(29,992)	(10,292)	(53,652)	**2,169**
(Loss)/profit for the year	(2,011,706)	3,030,507	(25,329)	(201,293)	**(36,404)**
Earnings/(loss) per share					
Basic ($)	(1.108)	1.679	(0.008)	(0.081)	**(0.021)**
Diluted ($)	(1.108)	1.679	(0.008)	(0.081)	**(0.021)**