

## Solid Business Growth Driven by Forward Looking Capacity Planning

### Consolidate Industry Leadership Through Sustained Market Share Enhancement

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HONG KONG, Aug. 24 /PRNewswire-Asia-FirstCall/ --					Financial Highlights	
For the six months ended 30 June						
(HK\$ in million)		2010	2009	Change (%)	Turnover	
8,693	5,834	+49.0%	Gross profit	1,345	976	
(Gross profit margin)		(15.5%)	(16.7%)	+37.8%	Profit attributable to	
shareholders		1,309	841	(Net profit margin)	(15.1%)	
(14.4%)	+55.7%	Diluted earnings per share		HK\$0.743	HK\$0.545	+36.3%
Proposed interim dividend		per share		HK\$0.20	HK\$0.15	+33.3%

China Yurun Food Group Limited ("Yurun Food" or the "Company", and together with its subsidiaries, the "Group"; HKEx: 1068), a leading vertically-integrated meat-product processor and supplier in China, announced today its interim results for the six months ended 30 June 2010 (the "Period").

During the Period, the Group recorded HK\$8,693 million (1H2009: HK\$5,834 million) in turnover, representing a 49% increase over the same period last year. The increase in turnover was mainly attributable to the Group's anticipated production capacity expansion plans and brand building over the past years, as well as the prosperity of the Chinese consumer market during the Period, which further accelerated demand for branded quality meat products. As a result, the Group's overall business recorded robust growth.

The Group's gross profit and net profit reached HK\$1,345 million (1H2009: HK\$976 million) and 1,309 million (1H2009: HK\$841 million).

) respectively during the Period, representing an increase of 37.8% and 55.7% respectively. The Group's gross profit margin decreased 1.2 percentage points to 15.5%, as compared to 16.7% in the same period last year, and net profit margin increased 0.7 percentage point to 15.1% as compared to 14.4% in the same period last year. The slight decrease in gross margin was mainly attributable to the increase in the proportion of sales from the upstream segment, which has a relatively lower profit margin.

The board of directors of the Company has resolved to declare an interim dividend of HK\$0.20 per share for the Period (1H2009:

HK\$0.15

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Mr. Zhu Yicai, Chairman of Yurun Food, said, "In the first half of 2010, domestic consumption in China continued to be promising, which provided great momentum to the development of the Chinese meat product market. In addition, with our nationwide capacity expansion and market strategy in recent years, the Group maintained a sustainable business growth. Moreover, to ensure the systematic development of the hog slaughtering industry in China

, the Central Government has gradually implemented a series of favourable policies, with a purpose of consolidating the industry by eliminating outdated hog slaughtering capacity which are below safety and hygiene standards in the coming five years, leading to a systematic increase in sales proportion of chilled and small packaged pork products in the market. Given the rising awareness of the Central Government and consumers to food safety, the regulatory and operational environment is favourable to the sustainable development of Yurun Food. Opportunities arising from industry consolidation continued to further promote the Group's sales and profitability of upstream branded chilled pork and downstream low temperature meat products ("LTMP"). Looking forward, the Group will continue to realize its strategic production capacity expansion plans, actively expand its distribution channels, and capture the tremendous business opportunities brought about by industry consolidation in order to continuously enhance the Group's market share and shareholders' returns."

## Business Review

The Group's business is divided into downstream processed meat products and upstream chilled and frozen meat segments.

For the six months ended 30 June (HK\$ in million)			
Proportion to	Turnover	Change	Total Turnover

	2010	2009	%	2010	2009	Upstream	Chilled and	Frozen	
Meat, inter	alia:	-	Chilled Pork	5,930	3,926	+51.1%	78.9%	82.0%	-
Frozen Pork	1,590	863	+84.2%	21.1%	18.0%	-	Segment Total	7,520	
4,789	+57.0%	100%	100%	Downstream Processed	Meat Products,	inter			
alia:	- LTMP	1,747	1,536	+13.7%	93.8%	94.5%	- HTMP*		
116	90	+28.0%	6.2%	5.5%	-	Segment Total	1,863	1,626	+14.5%
100%	100%	Inter-segment	Elimination	(690)	(581)	--	--	--	--
Total Revenue	8,693	5,834	+49.0%	--	--	*HTMP is defined as high temperature meat products.			
For the six months ended 30 June									
	Gross Margin			Change			2010		
2009	Percentage Points		Upstream	Chilled	and Frozen	Meat,	inter	alia:	-
Chilled Pork	11.7%	11.9%	-0.2 ppt	-	Frozen Pork	6.6%			
6.5%	+0.1 ppt	- Overall	10.6%	10.9%	-0.3 ppt				
Downstream Processed	Meat	Products, inter	alia:	- LTMP	29.9%				
28.4%	+1.5 ppt	- HTMP	21.0%	20.5%	+0.5 ppt	-			
Overall	29.4%	28.0%	+1.4 ppt						

## Production Capacity

As at 30 June 2010, slaughtering capacity of the Group was 28.55 million heads per year, representing an increase of 3 million heads as compared to 25.55 million heads at the end of 2009, while the Group's annual capacity of downstream meat processing was 283,000 tons, representing an increase of 5,000 tons as compared to that at the end of 2009. The Group will continue to systematically expand in the coming years, with focus on increasing market coverage, reducing bottlenecks and upgrading key production facilities.

## Product Quality and R&D

Strict internal quality control procedures of international standards have been applied to processes ranging from procurement, production, and sales to logistics. Meanwhile, the Group continued to expand its R&D team and strengthen its research efforts, focusing on mid-to-high-end products and new competitive products, as well as to lead the trends of meat product consumption in order to gain competitive advantages.

## Consolidation Opportunities Under New Industry Policy

With the stable and continuous rapid growth of the Chinese economy and broadening urbanization in China, the middle class are increasingly purchasing meat products from modern supermarkets as compared to traditional wet markets to ensure quality. Meanwhile, demand for mid-to-high-end branded meat products has been increasing correspondingly. The Group believes that, against the backdrop of abundant hog supply, the growing demand for meat products will continue to support the steady expansion of its overall business.

Furthermore, to ensure the systematic development of the hog slaughtering industry in China, the Central Government has gradually implemented a series of favorable regulations, such as the "Administrative Provision for Live Pig Slaughtering", the "Food Safety Law" and the "Guideline For National Hog Slaughtering Industry Development (2010-2015)" (the "Guideline"). The Guideline, which was published in late 2009, aims to expand the scale of industry consolidation in the coming five years, leading to a systematic increase in the sales proportion of chilled and small packaged pork products in the market. Specifically, 30% of the outdated manual and semi-automated slaughtering plants will be eliminated by 2013 and further to 50% by 2015. Among them, about 80% of slaughtering plants in major cities and developed regions which are below hygienic standards will be eliminated. The mix of pork products will be further improved through expanding the scale of industry consolidation, which will change the current market position that supply of fresh meat surpasses that of chilled meat, gradually leading to increasing demand from consumers for modern meat products. The Guideline will be propitious for the future development of chilled meat and LTMP, the two core businesses of the Group, driving further development of Yurun Food.

Benefiting from the favourable market and regulatory environment, supported by a dynamic management team with proven track record, the Group aims to fully leverage the opportunity arising from the industry consolidation and further strengthen our advantages in brand recognition, nationwide production and marketing network.

About China Yurun Food Group Limited (HKEx Stock Code: 1068)

Leveraging on its vertically-integrated business model and strategically located production plants, Yurun Food is the leading meat-processor and meat products supplier in China. With its well-established food brands, state-of-the-art production facilities and diversified distribution channels, Yurun Food has achieved a solid track record with robust growth for five consecutive years. Furthermore, with the support of our products' high hygienic and safety standards and stringent internal quality control procedures, Yurun Food will aim to continue to expand its market share and further strengthen its leading market position as a result of the implementation of industry consolidation and food safety laws by the Chinese Government.

Yurun Food was included in the MSCI Global Standard Index (MSCI China Index) on 29 August 2008

, which is an important recognition of Yurun Food as one of the leading companies in the meat processing industry by the investment community.