

For Immediate Release



China Yurun Food Group Limited
中國雨潤食品集團有限公司

2005 Annual Results
Net Profit Surges 112.3% to RMB0.359 billion

Financial Highlights

	For the year ended December 31 (RMB in million)		Change (%)
	2005	2004	
Turnover	4,454.0	2,592.7	71.8%
Gross Profit	639.3	378.0	69.1%
Net Profit	359.0	169.1	112.3%
Basic Earnings per Share (RMB)	0.344	0.185	85.9%
Diluted Earnings per Share (RMB)	0.344	0.184	87.0%
Profit Margin (%)	14.4	14.6	
Net Profit Margin (%)	8.1	6.5	

Hong Kong, March 29, 2006 - China Yurun Food Group Limited (“Yurun Food” or “the Company”) and its subsidiaries (collectively referred to as the “Group”) (HKEx stock code: 1068), announced its 2005 annual results today. For the financial year ended December 31, 2005, the turnover of the Group reached RMB4.454 billion, an increase of 71.8 % over 2004. Net Profit increased remarkably by 112.3 % to RMB0.359 billion. Basic earnings per share was RMB0.344, representing an increase of 85.9 % compared with 2004. The Board of Directors recommended a final dividend of HK\$0.065 per share for the year ended December 31, 2005.

The Group attributed these results to a variety of factors. These include the booming Chinese economy, strong growth in the consumer market, and expansion in the processed meat market, the core business of the Group.

Mr. Zhu Yicai, Chairman of Yurun Food, said, “2005 marked a major milestone for Yurun Food, in the successful listing of its shares on the Hong Kong Stock Exchange in last October and I would like to express our gratitude for the trust from our investors. The listing has made it possible to tap the resources of the international capital markets for the Group’s developments. We have used these funds to enhance productivity, increase our capability in research and development, expand our sales network, and improve operating standards and service quality. I am extremely pleased with the Company’s performance in its first year as a publicly listed company.”

Commenting on the results, Mr. Bi Guoxiang, Executive Director and Chief Executive Officer, added, “With our strengthened competitiveness, we outperformed our rivals in a highly competitive market as sales of our products continued to grow amid the increasing demand for chilled and frozen pork products in China. As we expanded, we worked hard to maximize economies of scale and effectively control cost and, as a result, enhanced profitability and increased shareholder value.”

Growth in consumer purchasing power drives product sales

Chilled pork can satisfy the increasing demand from Chinese domestic consumers as living standards improve. Sales of raw pork grew rapidly as the Group increased market penetration in its existing markets and further expanded sales channels as well as developed new markets in certain mid to small size cities during the year. Chilled pork has become the biggest driver to the Group’s growth. For the year ended December 31, 2005, sales of chilled pork surged 218.4% to RMB2.016 billion, accounting for 42.2% of the Group’s total sales (before inter-segment elimination). Sales of frozen pork were RMB1.519 billion, representing an increase of 27.7% compared with RMB1.189 billion in 2004. This accounted for 31.9% of the Group’s total sales (before inter-segment elimination).

By the end of 2005, the Group offered a selection of over 500 types of LTMP (Low Temperature Meat Products) and over 200 types of HTMP (High Temperature Meat Products). Sales of LTMP in 2005 were RMB0.991 billion, representing an increase of 18.9% compared with RMB0.833 billion in 2004 and accounted for 20.8% of the Group’s total sales (before inter-segment elimination). With the growing demand for high-end gourmet food products that are nutritious, hygienic and convenient, the Group’s various high quality packaged meat products are a perfect match for these diet trends. To further strengthen competitiveness and market share, the Group refined its product mix, increased its marketing efforts for high-end LTMP products, strengthened product promotion by working with large scale retailers, and explored new marketing channels. Thanks to these

efforts, sales of LTMP products recorded satisfactory growth.

Sales of HTMP decreased by 9.7%, from RMB0.271 billion in 2004 to RMB0.244 billion in 2005 and accounting for 5.1% of the Group's total turnover before inter-segment elimination, as the Group proactively adjusted product prices down to meet intensified competition.

Disciplined cost control through expansion phase

The Group's total cost of sales was RMB3.815 billion and represented 85.6% of the Group's total turnover in 2005, which was fairly stable compared to 85.4% in 2004. The Group's operating expenses were RMB0.264 billion in 2005, an increase of 33.3%, compared to RMB0.198 billion in 2004. The increase was mainly attributable to the growth in production volumes, the administrative costs associated with the maintenance of the Hong Kong Stock Exchange listing status, and an increase in professional costs. Net finance cost was RMB31.001 million, representing a decrease of 29.2% compared with RMB43.756 million in 2004.

Expanded capacity to target affluent markets

In 2005, the Group's upstream capacity expansion progressed smoothly: annual slaughtering capacity reached 7.85 million heads, an increase of 54.8% compared with the 5.07 million heads at the end of 2004. The capacity of the Group's four main slaughtering facilities in Lianyungang, Fuyang, Neijiang and Suzhou exceeded one million heads in each location.

The Group achieved noticeable results in its chilled pork segment as it continued to increase its marketing efforts in line with its business plans. Based on average production capacity, the utilization rate in the upstream business substantially increased from 43% in 2004 to 72% in 2005, mainly driven by chilled pork. In 2005, the Group continued to develop the market for LTMP in its downstream business. Based on our year-end figures, the utilization rate in the downstream business increased from 53% in 2004 to 55% in 2005, with LTMP enjoying relatively faster growth.

During 2005, the Group explored the richer and faster growing markets in the lower to mid streams of the Yangtze River such as Jiangxi Jiujiang, Jiangsu Jinjiang, Zhejiang Xiqing

regions. The Group's strategy for the coming year will focus on selling primarily chilled pork and LTMP in these regions of the Yangtze and other relatively affluent regions in China. The Northeast and Northern regions are important pork-consuming areas in China. Rich in natural resources, coupled with preferential government policies, these regions will facilitate the Group's efforts to develop its market.

Capitalize on market consolidation to deliver growth

2006 is the first year of the implementation of China's Eleventh Five-Year Plan. The Chinese economy will be gradually transformed from an investment driven model to a consumption driven model, helping China to become the world's consumption giant. The trend of urban migration will intensify, and as urban populations grow, so will pressure for higher living standards in all spheres of life, showing preference for the reliability, consistency and accountability of branded products. All of these developments are positive for Yurun Food to maintain strong development through capitalizing on market consolidation.

In view of promising sales prospects and growing market demand, Yurun Food plans to rapidly expand its production capacity, especially upstream, through different flexible methods, including the construction of new facilities, expansion of existing facilities, leasing and joint ventures to be able to fully satisfy market demand. The procurement network will also be strengthened, especially to enhance disease prevention. With respect to processed meat products, the Group will optimize product structure, focusing on product innovation and sales of high-margin products to maximize economies of scale and lower production cost in order to further raise overall profitability.

Mr. Zhu Yicai concluded, "In 2006, the first year following the Group's listing, we will further strengthen our brands to increase awareness and our reputation among the general public. We will also enhance our presence in the mid to high-end markets. The Group intends to gradually consolidate our chilled pork under "Yurun" brand to maximize the competitive advantage of the Group's flagship brand and further grow the Group's chilled pork business. We expect that our industry will consolidate in the future. We believe that the Group is ideally positioned to benefit from the opportunities that will arise and successfully execute its strategy to deliver growth and increase shareholder value."

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About Yurun Food

Established in 1993, Yurun Food is one of the leading meat product suppliers in China. By combining advanced production equipment and processing technologies with proprietary recipes, the Group has grown rapidly by successfully developing an array of meat products that specifically cater for Chinese consumer tastes. The products are marketed under four major brands- “Yurun”, “Furun”, “Wangrun” and “Popular Meat Packing”. Yurun Food experienced year-on-year revenue growth of 26.3% from 2002 to 2003 and 33.7% from 2003 to 2004, and has had the largest market share of sales to large-scale retailers among Low Temperature Meat Product (LTMP) producers in China since 2002. In addition, the Group was the third largest chilled and frozen pork producer in China in 2003. Yurun Food listed on the Stock Exchange of Hong Kong on October 3, 2005.

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