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

INTERIM REPORT
2015

Endeavour
- our key to brighter future

Contents

Corporate Information

Board of Directors

Executive Directors

Yu Zhangli *(Chairman)*
Li Shibao *(Chief Executive Officer)*
Ge Yuqi
Sun Tiexin

Independent Non-executive Directors

Gao Hui
Chen Jianguo
Li Qing *(resignation with effect from 13 August 2015)*
Miao Yelian *(appointment with effect from 13 August 2015)*

Audit Committee

Gao Hui *(Chairman)*
Chen Jianguo
Li Qing *(resignation with effect from 13 August 2015)*
Miao Yelian *(appointment with effect from 13 August 2015)*

Remuneration Committee

Gao Hui *(Chairman)*
Yu Zhangli
Chen Jianguo

Nomination Committee

Chen Jianguo *(Chairman)*
Gao Hui
Yu Zhangli

Company Secretary

Lee Wing Sze, Rosa *HKICPA, FCCA*

Authorised Representatives

Yu Zhangli
Lee Wing Sze, Rosa

Auditors

KPMG

Principal Bankers

Bank of China Limited
China CITIC Bank Corporation Limited
Agricultural Bank of China Limited
Industrial and Commercial Bank of China Limited
China Merchants Bank 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

Room 4006, 40th Floor
Tower Two, Lippo Centre
89 Queensway
Hong Kong

Principal Share Registrar and Transfer Office

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda

Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

Legal Advisors

As to Hong Kong Law

Norton Rose Fulbright Hong Kong
Iu, Lai & Li Solicitors & Notaries

As to Bermuda Law

Conyers Dill & Pearman

Stock Code

1068

Website

www.yurun.com.hk

Management Discussion and Analysis

Industry Overview

During the six months ended 30 June 2015 (the "Review Period"), China's national economy performed fairly and major indices showed stable and upward trends. According to the data published by the National Bureau of Statistics of China, China's gross domestic product ("GDP") for the first half of 2015 was Renminbi ("RMB")29,686.8 billion, representing an increase of 7.0% over the same period of 2014.

However, affected by the significant decline in consumption of high-end catering industry, the current meat consumption in China was primarily driven by the basic consumption. Nevertheless, during the Review Period, with the decreasing supply of commercial hogs, hog prices had soared since March this year and pork consumption was significantly affected.

Facing all the unfavourable factors during the Review Period, the management of China Yurun Food Group Limited ("Yurun Food" or the "Company") and its subsidiaries (collectively referred to as the "Group") adopted a more prudent strategy and continued to adhere to our belief to provide quality meat products for consumers against the backdrop of the challenging market environment.

Business Review

During the Review Period, the economy underwent restructuring while the high-end catering and meat markets remained sluggish under the increasingly competitive business environment. In the meantime, since both hog prices and production costs increased as compared with those of the same period last year and the Group experienced greater difficulty in transferring cost to consumers, the gross profit declined significantly. Facing all these enormous challenges, the Group made its best efforts to adopt a number of prudent actions and all feasible measures to improve its communication with customers, to implement the relevant national policies in prevention of food safety risks, to actively expand its catering chain and exclusive supply points, to improve its product innovation and technology research and development, to develop diversified products, to adjust its expansion pace and scale, and to stabilise and grow its business.

Product Quality and Research and Development

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

Sales and Distribution

Chilled pork and LTMP, which are the Group's products with higher added value, remained the focus of the overall business development of the Group during the Review Period. Sales of chilled pork of the Group was HK$6.953 billion (1H2014: HK$7.125 billion) during the Review Period, representing a decrease of 2.4% over the same period last year, accounting for approximately 71% (1H2014: 74%) of the total turnover of the Group prior to inter-segment eliminations and approximately 82% (1H2014: 87%) of the total turnover of the upstream slaughtering segment. Sales of LTMP was HK$1.201 billion (1H2014: HK$1.303 billion), representing a decrease of 7.8% over the same period last year, accounting for approximately 12% (1H2014: 14%) of the total turnover of the Group prior to inter-segment eliminations and approximately 92% (1H2014: 91%) of the total turnover of the downstream processed meat segment.

Production Facilities and Production Capacity

Adhering to the strict cost control on investment, the Group adjusted its expansion pace according to the market changes and business conditions of the Group. The Group will review the functions and positionings of each of our factories to optimise our existing resources, for example by consolidating those networks which are not close to raw materials markets or consumer markets, to fully capitalise the advantages of our factories with the hope of enhancing the utilisation rate in the long run.

With respect to the upstream slaughtering segment, under the management's adjustment in expansion pace, no new plant of the Group commenced production during the Review Period. Upstream slaughtering capacity was 56.35 million heads per year, remaining unchanged as compared with that as at 31 December 2014.

As at 30 June 2015, the Group's production capacity of downstream processed meat segment remained unchanged at approximately 312,000 tons per year as compared with that as at 31 December 2014.

Financial Review

During the Review Period, the Group recorded a turnover of HK$9.584 billion, representing an increase of 6.0% as compared with HK$9.044 billion of the same period last year. During the Review Period, loss attributable to equity holders was HK$724 million (1H2014: profit attributable to equity holders: HK$16.05 million). Diluted loss per share was HK$0.397 (1H2014: diluted earnings per share: HK$0.009).

Revenue

Chilled and Frozen Pork

During the Review Period, the slaughtering volume of the Group decreased by approximately 3.4% over that of last year mainly because the Group positioned improvements in profitability as its objective and made appropriate compromise to the growth of slaughtering volume in light of the decrease in overall pork consumption. During the Review Period, total sales derived from upstream business (before inter-segment eliminations) increased by 3.9% to HK$8.470 billion (1H2014: HK$8.150 billion) as compared with the same period last year mainly due to increase in hog prices, of which, sales of chilled pork decreased by 2.4% to HK$6.953 billion (1H2014: HK$7.125 billion) as compared with the same period last year, accounting for approximately 71% (1H2014: 74%) and approximately 82% (1H2014: 87%) of the total turnover (before inter-segment eliminations) of the Group and the total turnover of the upstream business of the Group respectively. Sales of frozen pork increased by 47.9% to HK$1.517 billion (1H2014: HK$1.025 billion) as compared with the same period last year, accounting for approximately 18% of the total turnover of the upstream business (1H2014: 13%).

Processed Meat Products

During the Review Period, sales of processed meat products (before inter-segment eliminations) of the Group was HK$1.312 billion (1H2014: HK$1.426 billion), representing a decrease of 8.0% over the same period last year.

Specifically, turnover of LTMP was HK$1.201 billion, representing a decrease of 7.8% as compared with HK$1.303 billion of the same period last year. LTMP remained the key revenue driver to the processed meat business, accounting for approximately 92% (1H2014: 91%) of the total turnover of the processed meat segment. Turnover of high temperature meat products ("HTMP") was HK$111 million (1H2014: HK$123 million), accounting for approximately 8% (1H2014: 9%) of the total turnover of the processed meat segment.

Gross Profit and Gross Profit Margin

Gross profit of the Group decreased by 61.8% from HK$669 million in the first half of 2014 to HK$255 million during the Review Period. Overall gross profit margin decreased by 4.7 percentage points to 2.7% from 7.4% of the same period last year. Since both hog prices and production costs increased during the Review Period, the Group experienced greater difficulty in transferring costs to consumers and therefore the gross profit declined significantly.

With respect to the upstream business, gross profit margin of chilled pork and frozen pork were 3.8% and -13.6% respectively (1H2014: 6.4% and -4.2% respectively). Overall gross profit margin of the upstream segment was 0.7%, representing a decrease of 4.4 percentage points as compared with 5.1% over the same period last year.

Whereas for the downstream processed meat products, gross profit margin of LTMP was 14.8%, representing a decrease of 3.1 percentage points as compared with 17.9% of the same period last year. Gross profit margin of HTMP was 13.7%, representing a decrease of 3.8 percentage points over same period last year. Overall gross profit margin of the downstream segment was 14.7%, representing a decrease of 3.2 percentage points as compared with 17.9% of the same period last year.

Other Net Income

During the Review Period, other net income mainly included government subsidies and cold storage rental income, deducted by loss on disposal of lease prepayment and property, plant and equipment and disposal of a subsidiary. During the Review Period, other net income of the Group was HK$50.48 million, representing a decrease of HK$222 million as compared with HK$272 million of same period last year. Decrease in other net income was mainly because of the substantial decrease in government subsidies and loss arising from disposal of lease prepayment and property, plant and equipment and a subsidiary during the Review Period.

Operating Expenses

Operating expenses included distribution expenses and administrative and other operating expenses. During the Review Period, operating expenses of the Group were HK$881 million, representing an increase of 11.1% as compared with HK$793 million of the same period last year. Such increase was mainly due to increase in transportation expenses, increase in provision for impairment losses on trade and other receivables and impairment losses on certain fixed assets recognised (in an amount of approximately HK$34 million) during the Review Period. Operating expenses represented 9.2% of the Group's turnover, an increase of 0.4 percentage point as compared with 8.8% of the same period last year.

Results of Operating Activities

During the Review Period, operating loss of the Group was HK$575 million (1H2014: profit: HK$148 million).

Finance Costs

During the Review Period, net finance costs of the Group were HK$142 million as compared with HK$119 million of the same period last year. Net finance costs increased mainly because of the increase in interest expense on borrowings due to the increase in average bank and other borrowings during the Review Period.

Income Tax

Income tax for the Review Period was HK$6.55 million, representing a decrease of 35.5% as compared with HK$10.16 million of the same period last year. The decrease was due to the decrease in taxable profit of the meat processing operations during the Review Period.

Loss Attributable to Equity Holders of the Company

Taking all of the above factors into account, loss attributable to equity holders of the Company during the Review Period was HK$724 million (1H2014: profit attributable to equity holders of the Company: HK$16.05 million).

Financial Resources

As at 30 June 2015, the Group's cash balance including time deposits and pledged deposits were HK$1.124 billion, which was similar to HK$1.124 billion as at 31 December 2014, of which approximately 97% (31 December 2014: 98%) was denominated in Hong Kong dollars or RMB.

As at 30 June 2015, the Group had outstanding bank loans of HK$8.431 billion (including the domestic medium term notes (the "MTN") and the short term financing notes issued in the PRC by Nanjing Yurun Food Co., Ltd, a wholly-owned subsidiary of the Company), representing an increase of HK$321 million from HK$8.110 billion as at 31 December 2014, of which, HK$3.887 billion, HK$2.912 billion and HK$634 million (31 December 2014: HK$3.819 billion, HK$1.645 billion and Nil) were bank loans, the MTN and the short term financing notes respectively which are repayable within one year, and bank loans which are due within one year are expected to be renewed upon maturity. All of our borrowings were denominated in RMB, which was consistent with the borrowings as at 31 December 2014. The fixed rate debt ratio of the Group increased to 74.4% as at 30 June 2015 (31 December 2014: 65.9%). Taking into account the funds used for daily operations and investments in production facilities during the Review Period, the Group was still able to maintain prudent financial management. Having sufficient working capital together with reasonable amount of unutilised credit facilities, the Group has adequate funds for daily operating activities and other funding requirements.

Under the principle of stringent control over investment costs, the capital expenditure of the Group decreased by 24.7% to HK$383 million during the Review Period as compared with HK$510 million of same period last year.

Assets and Liabilities

As at 30 June 2015, the total assets and total liabilities of the Group were HK$26.097 billion (31 December 2014: HK$26.947 billion) and HK$10.873 billion (31 December 2014: HK$11.000 billion) respectively, representing a decrease of HK$850 million and HK$126 million as compared with the total assets and liabilities as at 31 December 2014 respectively.

As at 30 June 2015, the property, plant and equipment of the Group amounted to HK$16.627 billion (31 December 2014: HK$16.541 billion).

Lease prepayments of the Group as at 30 June 2015 amounted to HK$3.592 billion (31 December 2014: HK$3.690 billion). This represented the purchase cost of land use rights which was amortised on a straight-line basis over the respective periods of the rights. Land use rights of two pieces of land of the Group were disposed during the Review Period, as a result, the lease prepayments of the Group as at 30 June 2015 decreased by 2.7% as compared with that as at 31 December 2014.

Non-current prepayments and receivables of the Group mainly represented the prepayments for acquisition of land use rights and property, plant and equipment and amounted to HK$231 million as at 30 June 2015 (31 December 2014: HK$306 million). These assets have not started to depreciate nor amortise yet.

As at 30 June 2015, the Group had net current liabilities of approximately HK$4.151 billion (31 December 2014: HK$1.821 billion). In March 2015, a wholly-owned subsidiary of Group obtained an approval from the National Association of Financial Market Institutional Investors to issue short term financing notes of an aggregate principal amount of up to RMB1.8 billion with a term of 366 days from the date of issuance and private placement notes of an aggregate principal amount up to RMB2.5 billion with a term of 3 years from the date of issuance. The total unutilised portion up to the date of this interim financial report amounted to RMB3.8 billion. In addition, the current bank loans which are due within one year are expected to be renewed upon maturity, therefore the directors of the Company ("Directors") believe that the Group will have sufficient financial resources to finance its operations and to meet its financial obligations as and when due within the next twelve months from the end of the reporting period.

As at 30 June 2015, equity attributable to equity holders of the Company was HK$15.169 billion, representing a decrease of HK$723 million as compared with HK$15.892 billion as at 31 December 2014.

As at 30 June 2015, the gearing ratio (total debt represented by the sum of bank loans, the MTN, the short term financing notes and finance lease liabilities divided by the sum of total debt and equity attributable to shareholders) of the Group was 36.1%, representing an increase of 1.9 percentage points as compared with 34.2% as at 31 December 2014. As at 30 June 2015, the net gearing ratio after excluding cash in bank, time deposits and pledged deposits was 31.4% (31 December 2014: 29.5%).

Charges on Assets

As at 30 June 2015, certain properties and construction in progress of the Group with a carrying amount of HK$377 million and lease prepayments of the Group with a carrying amount of HK$481 million (31 December 2014: HK$540 million and HK$506 million respectively) were pledged against certain bank loans with a total amount of HK$1.387 billion (31 December 2014: HK$1.601 billion).

As at 30 June 2015, certain secured bank loans of the Group amounted to a total of HK$88.21 million (31 December 2014: HK$407 million) which were secured by pledged deposits denominated in RMB amounting to HK$91.94 million (31 December 2014: HK$165 million). As at 30 June 2015, no bank loans were secured by available-for-sale financial asset (31 December 2014: HK$101 million).

As at 30 June 2015, bills payable were secured by RMB denominated pledged deposits of HK$115 million (31 December 2014: HK$63 million).

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

The Group did not hold any other significant investment nor make any material acquisition or disposal of subsidiaries during the Review Period. As at the date of this report, the Group has no plan to make any significant investment or acquisition of capital assets.

Contingent Liabilities

There were no significant contingent liabilities for the Group as at 30 June 2015.

Exposure to Fluctuations in Exchange Rates and Related Hedges

Other than purchases of certain equipment and materials and payment of certain professional fees in United States dollars, Euros or Hong Kong dollars, the Group's transactions are mainly settled in RMB. RMB is the functional currency of operating subsidiaries of the Group in the PRC, and is not freely convertible into foreign currencies. The Group will monitor its exposure by considering factors including, but not limited to, exchange rate movement of the relevant foreign exchange currencies as well as the Group's cash flow requirements to ensure that its foreign exchange exposure is kept at an acceptable level.

Human Resources

As at 30 June 2015, the Group had approximately 16,000 (31 December 2014: approximately 19,000) employees in the PRC and Hong Kong in total. During the Review Period, total staff cost was HK$432 million, accounting for 4.5% of the turnover of the Group (1H2014: HK$445 million, accounting for 4.9% of the turnover of the Group).

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

Environmental Policies and Performance

As a responsible enterprise, the Group is committed to environmental protection and strives to minimise the environmental impact of its existing production and business activities. During the Review Period, the Group continues to implement measures to reduce waste generation during its production process. In future, the Group aims at improving those measures to minimise waste and participating in conservation and sustainability initiatives as part of its long term environmental protection strategy.

Other Information

Interim Dividend

The board of directors of the Company (the "Board") has resolved not to declare an interim dividend for the Review Period (2014: $Nil).

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 30 June 2015, the number of issued ordinary shares of the Company was 1,822,755,650; and the interests and short positions of the Directors and chief executive of the Company 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 ("Hong Kong Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") were as follows:

Interest in shares and underlying shares of the Company

Name of Directors	Capacity	Interest in ordinary shares	Interest in underlying shares(Note)	Total	Approximate percentage of interest
Yu Zhangli	Beneficial owner	89,000	5,000,000	5,089,000	0.28%
Li Shibao	Beneficial owner	89,000	3,750,000	3,839,000	0.21%
Ge Yuqi	Beneficial owner	–	2,500,000	2,500,000	0.14%
Sun Tiexin	Beneficial owner	–	2,500,000	2,500,000	0.14%

Note:

The interests in underlying shares represent the interests in the share options granted on 25 March 2013 pursuant to the Company's share option scheme, details of which are set out in the section headed "Share Option Scheme" below.

Save as disclosed above, as at 30 June 2015, none of the Directors and/or the chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of 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 Hong Kong Stock Exchange pursuant to the Model Code.

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares

As at 30 June 2015, so far as is known to the Directors and 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	Approximate percentage of the issued shares
Willie Holdings Limited	Long position	470,699,900(Note 1)	25.82%
Zhu Yicai	Long position	470,699,900(Note 1)	25.82%
Wu Xueqin	Long position	470,699,900(Note 1)	25.82%
Kopernik Global Investors, LLC	Long position	94,259,976(Note 2)	5.17%

Notes:

(1) 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 Zhu Yicai ("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.

(2) So far as is known to the Directors of the Company, these shares were held by Kopernik Global Investors, LLC in the capacity of investment manager.

Save as disclosed above, as at 30 June 2015, 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.

Share Option Scheme

The Company unconditionally adopted a share option scheme ("Share Option Scheme") on 3 October 2005. Pursuant to the Share Option Scheme, the initial maximum number of ordinary shares of nominal value of HK$0.10 each in the capital of the Company which may be issued upon exercise of all options to be granted under the Share Option Scheme shall not exceed 139,908,380 shares (the "Scheme Mandate Limit"), representing 10% of the total number of issued shares on 3 October 2005, which may be refreshed pursuant to the terms of the Share Option Scheme. At the annual general meeting of the Company held on 21 May 2013 (the "2013 AGM"), the shareholders of the Company approved the refreshment of the Scheme Mandate Limit in accordance with the Share Option Scheme and the Listing Rules, thereby allowing the Company to grant further options for subscription of up to a total of 182,275,565 shares, representing 10% of the 1,822,755,650 shares in issue as at the date of the 2013 AGM.

At the annual general meeting of the Company held on 24 June 2015, the shareholders of the Company approved the termination of the Share Option Scheme and the adoption of a new share option scheme ("New Share Option Scheme"). The Company had not granted any option under the New Share Option Scheme since its adoption.

Details of the movements of the share options under the Share Option Scheme during the Review Period are shown below:

Name or category of participant	Number of shares which may be issued pursuant to the share options: As at 1 January 2015	Granted during the Review Period	Exercised during the Review Period	Lapsed during the Review Period[2]	As at 30 June 2015	Exercise price per share[4] HK$	Date of grant (DD.MM.YYYY)	Option period[1] & [2] (DD.MM.YYYY)
Directors								
Yu Zhangli	1,962,500	–	–	(1,962,500)	–	18.04	03.09.2011	03.09.2011 – 02.09.2021
	7,500,000	–	–	(2,500,000)	5,000,000	5.142	25.03.2013	25.03.2013 – 24.03.2023
	9,462,500	–	–	(4,462,500)	5,000,000			
Li Shibao	125,000	–	–	(125,000)	–	18.04	03.09.2011	03.09.2011 – 02.09.2021
	5,625,000	–	–	(1,875,000)	3,750,000	5.142	25.03.2013	25.03.2013 – 24.03.2023
	5,750,000	–	–	(2,000,000)	3,750,000			
Ge Yuqi	2,000,000	–	–	(2,000,000)	–	18.04	03.09.2011	03.09.2011 – 02.09.2021
	3,750,000	–	–	(1,250,000)	2,500,000	5.142	25.03.2013	25.03.2013 – 24.03.2023
	5,750,000	–	–	(3,250,000)	2,500,000			
Sun Tiexin	100,000	–	–	(100,000)	–	18.04	03.09.2011	03.09.2011 – 02.09.2021
	3,750,000	–	–	(1,250,000)	2,500,000	5.142	25.03.2013	25.03.2013 – 24.03.2023
	3,850,000	–	–	(1,350,000)	2,500,000			
Subtotal	24,812,500[3]	–	–	(11,062,500)	13,750,000[3]			
Other employees (including ex-employees)								
In aggregate	7,394,000	–	–	(163,000)	7,231,000	7.46	10.11.2006	10.11.2006 – 09.11.2016
	14,175,000	–	–	(14,175,000)	–	18.04	03.09.2011	03.09.2011 – 02.09.2021
	24,075,000	–	–	(10,525,000)	13,550,000	5.142	25.03.2013	25.03.2013 – 24.03.2023
	79,125,000	–	–	(36,160,000)	42,965,000	5.002	14.06.2013	14.06.2013 – 13.06.2023
Subtotal	124,769,000	–	–	(61,023,000)	63,746,000			
Total	149,581,500	–	–	(72,085,500)	77,496,000			

Notes:

(1) All of the share options granted on 10 November 2006 have been vested in the grantees.

(2) Subject to the satisfaction of other conditions such as performance targets of the Group and/or individual grantees, if any, as set out in the respective offer letters, the share options granted on 3 September 2011, 25 March 2013 and 14 June 2013 will be vested in the grantees in four equal tranches, i.e., 25% of the share options will be vested after the publication of the results of the financial years ended 2011, 2012, 2013 and 2014 respectively (for the share options granted on 3 September 2011) and 2013, 2014, 2015 and 2016 respectively (for the share options granted on 25 March 2013 and 14 June 2013). During the Review Period, the fourth tranche (25%) of the share options granted on 3 September 2011 and the second tranche (25%) of the share options granted on 25 March 2013 and 14 June 2013 respectively, which should have been vested after the publication of the annual results of the year 2014, had lapsed due to the performance targets of the Group and the individual grantees not having been achieved.

(3) The share options represent personal interests held by the relevant Directors as beneficial owners.

(4) The closing price of the shares of the Company immediately before the date of grant (i.e. 9 November 2006, 2 September 2011, 22 March 2013 and 13 June 2013 respectively) were HK$7.58, HK$18.04, HK$5.17 and HK$4.83 respectively.

(5) No share options were cancelled under the Share Option Scheme during the Review Period.

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

Corporate Governance

The Company adheres to corporate governance principles of integrity, transparency, openness and efficiency. It has strived to strictly observe and follow stringent corporate governance practice at all times through a comprehensive corporate governance structure and measures so as to achieve a high standard of corporate governance and to improve shareholder value.

The Board comprises seven Directors as at the date of this report. To facilitate effective management, the Board has delegated certain functions to various Board committees, including, the Audit Committee, the Remuneration Committee and the Nomination Committee. The Company has formulated specific terms of reference of each committee, covering its authority, responsibilities and functions. The major responsibilities of the Board and its committees include supervising the implementation of corporate governance, monitoring and advising the management in respect of financial and business strategy and targets, monitoring public disclosures, as well as assessing the performance of the management whether they are in line with the Company's operating objectives.

The Company has also established internal control system to ensure that the Company's assets are under protection, operating and governance measures are in place, business risks are properly managed and accounting records and financial statements are properly kept and maintained. The Audit Committee is responsible for reviewing the effectiveness of the Group's internal control system with the assistance of the Group's Internal Audit Department.

The Company maintains a highly transparent governance mechanism by publishing information to shareholders and investors in a timely manner. We use several communication channels to ensure that the Company's shareholders are provided with convenient, equal and timely access to information about the Company.

The Board has reviewed the Company's corporate governance practices and is satisfied that the Company was in compliance with all applicable code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules during the Review Period except for the deviation from paragraph A.6.7 of the CG Code as Li Qing, an independent non-executive Director, was absent from the annual general meeting of the Company held on 24 June 2015 for other engagements.

Model Code for Securities Transactions 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 enquiries with all Directors, confirms that the Directors have complied with the required standards set out in the Model Code throughout the Review Period.

Purchase, Sale or Redemption of Listed Securities of the Company

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Review Period.

Audit Committee

The Audit Committee of the Company and the management have reviewed the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters, including the review of the unaudited interim results of the Group for the Review Period.

By Order of the Board
Yu Zhangli
Chairman

Hong Kong, 10 August 2015

Changes Subsequent to the Approval Date of this Interim Financial Report

Subsequent to the approval date of this interim financial report, the changes in information required to be disclosed after the publication of the Company's Annual Report 2014 on 31 March 2015 in accordance with Rule 13.51B(1) of the Listing Rules are set out below:

Mr. Miao Yelian has been appointed as an independent non-executive director and a member of the Audit Committee of the Company effective from 13 August 2015.

Mr. Li Qing tendered his resignation as an independent non-executive director and a member of the Audit Committee of the Company effective from 13 August 2015.

Please refer to the Company's announcement dated 13 August 2015 for further details.

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Consolidated Statement of Profit or Loss

for the six months ended 30 June 2015 – unaudited
(Expressed in Hong Kong dollars)

		Six months ended 30 June	
		2015	2014
	Note	**$'000**	$'000
Revenue	4	**9,583,710**	9,044,264
Cost of sales		**(9,328,376)**	(8,375,737)
Gross profit		**255,334**	668,527
Other net income	6	**50,478**	272,298
Distribution expenses		**(365,860)**	(309,067)
Administrative and other operating expenses		**(515,123)**	(484,066)
Results from operating activities		**(575,171)**	147,692
Finance income		**11,481**	19,444
Finance costs		**(153,343)**	(138,253)
Net finance costs	7(a)	**(141,862)**	(118,809)
Share of loss of a joint venture (net of income tax)		**(660)**	(2,619)
(Loss)/profit before income tax	7	**(717,693)**	26,264
Income tax expense	8	**(6,553)**	(10,155)
(Loss)/profit for the period		**(724,246)**	16,109
Attributable to:			
Equity holders of the Company		**(723,991)**	16,052
Non-controlling interests		**(255)**	57
(Loss)/profit for the period		**(724,246)**	16,109
(Loss)/earnings per share			
Basic ($)	10(a)	**(0.397)**	0.009
Diluted ($)	10(b)	**(0.397)**	0.009

The notes on pages 19 to 30 form part of this interim financial report.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the six months ended 30 June 2015 – unaudited
(Expressed in Hong Kong dollars)

		Six months ended 30 June	
		2015	2014
	Note	**$'000**	$'000
(Loss)/profit for the period		**(724,246)**	16,109
Other comprehensive income for the period (after reclassification adjustments)	9		
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences for foreign operations		**2,841**	(136,912)
Foreign currency translation differences reclassified to profit or loss upon disposal of a subsidiary and a joint venture		**(1,776)**	–
		1,065	(136,912)
Total comprehensive income for the period		**(723,181)**	(120,803)
Attributable to:			
Equity holders of the Company		**(722,944)**	(120,273)
Non-controlling interests		**(237)**	(530)
Total comprehensive income for the period		**(723,181)**	(120,803)

The notes on pages 19 to 30 form part of this interim financial report.

Consolidated Statement of Financial Position

at 30 June 2015 – unaudited
(Expressed in Hong Kong dollars)

	Note	**30 June 2015 $'000**	31 December 2014 $'000
Non-current assets			
Property, plant and equipment	11	**16,627,351**	16,540,504
Lease prepayments		**3,509,963**	3,606,989
Goodwill		**96,441**	96,405
Intangible asset		**55,879**	–
Interest in a joint venture		**–**	14,881
Non-current prepayments and receivables		**230,752**	305,831
Deferred tax assets		**26,937**	20,167
		20,547,323	20,584,777
Current assets			
Inventories	12	**895,528**	1,390,172
Other investment		**–**	101,407
Current portion of lease prepayments		**81,973**	82,860
Trade and other receivables	13	**3,446,777**	3,662,104
Income tax recoverable		**2,179**	1,581
Pledged deposits		**211,476**	232,809
Time deposits		**11,295**	6,168
Cash and cash equivalents	14	**900,741**	885,028
		5,549,969	6,362,129
Current liabilities			
Bank loans		**3,887,305**	3,818,771
Short term financing notes		**634,035**	–
Medium term notes		**2,912,079**	1,645,097
Finance lease liabilities		**562**	549
Trade and other payables	15	**2,258,340**	2,706,331
Income tax payable		**8,551**	12,427
		9,700,872	8,183,175
Net current liabilities		**(4,150,903)**	(1,821,046)
Total assets less current liabilities		**16,396,420**	18,763,731

Consolidated Statement of Financial Position

at 30 June 2015 – unaudited
(Expressed in Hong Kong dollars)

	30 June 2015 $'000	31 December 2014 $'000
Non-current liabilities		
Bank loans	**997,130**	1,379,154
Medium term notes	**–**	1,266,629
Finance lease liabilities	**146,675**	146,907
Deferred tax liabilities	**28,484**	23,729
	1,172,289	2,816,419
NET ASSETS	**15,224,131**	15,947,312
EQUITY		
Share capital	**182,276**	182,276
Reserves	**14,987,024**	15,709,968
Total equity attributable to equity holders of the Company	**15,169,300**	15,892,244
Non-controlling interests	**54,831**	55,068
TOTAL EQUITY	**15,224,131**	15,947,312

Approved and authorised for issue by the board of directors on 10 August 2015.

Yu Zhangli
Director

Li Shibao
Director

The notes on pages 19 to 30 form part of this interim financial report.

Consolidated Statement of Changes in Equity

for the six months ended 30 June 2015 – unaudited
(Expressed in Hong Kong dollars)

	Attributable to equity holders of the Company									
	Share capital $'000	Share premium $'000	Capital surplus $'000	Merger reserve $'000	PRC statutory reserves $'000	Exchange reserve $'000	Retained earnings $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
At 1 January 2014	182,276	7,400,418	3,887	(69,864)	863,598	1,883,183	5,686,513	15,950,011	61,303	16,011,314
Profit for the period	–	–	–	–	–	–	16,052	16,052	57	16,109
Total other comprehensive income for the period	–	–	–	–	–	(136,325)	–	(136,325)	(587)	(136,912)
Total comprehensive income for the period	–	–	–	–	–	(136,325)	16,052	(120,273)	(530)	(120,803)
At 30 June 2014	182,276	7,400,418	3,887	(69,864)	863,598	1,746,858	5,702,565	15,829,738	60,773	15,890,511
At 1 January 2015	**182,276**	**7,400,418**	**3,887**	**(70,363)**	**876,084**	**1,767,538**	**5,732,404**	**15,892,244**	**55,068**	**15,947,312**
Loss for the period	**–**	**–**	**–**	**–**	**–**	**–**	**(723,991)**	**(723,991)**	**(255)**	**(724,246)**
Total other comprehensive income for the period	**–**	**–**	**–**	**–**	**–**	**1,047**	**–**	**1,047**	**18**	**1,065**
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**–**	**1,047**	**(723,991)**	**(722,944)**	**(237)**	**(723,181)**
Transfer to reserves	**–**	**–**	**–**	**–**	**954**	**–**	**(954)**	**–**	**–**	**–**
At 30 June 2015	**182,276**	**7,400,418**	**3,887**	**(70,363)**	**877,038**	**1,768,585**	**5,007,459**	**15,169,300**	**54,831**	**15,224,131**

The notes on pages 19 to 30 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement

for the six months ended 30 June 2015 - unaudited
(Expressed in Hong Kong dollars)

		Six months ended 30 June	
		2015	2014
	Note	**$'000**	$'000
Cash used in operations		**(47,990)**	(538,135)
Tax paid		**(13,026)**	(7,283)
Net cash used in operating activities		**(61,016)**	(545,418)
Investing activities			
Acquisitions of property, plant and equipment		**(380,966)**	(509,613)
Payment for lease prepayment		**(2,530)**	–
Proceeds from disposal of lease prepayment and property, plant and equipment		**9,831**	–
Proceeds from disposal of a joint venture		**10,630**	–
Other cash flows arising from investing activities		**107,497**	37,428
Net cash used in investing activities		**(255,538)**	(472,185)
Financing activities			
Net proceeds from bank loans, medium term notes and short term financing notes		**313,563**	(285,404)
Changes in pledged deposits		**21,370**	567
Other cash flows arising from financing activities		**(2,964)**	(3,523)
Net cash generated from/(used in) financing activities		**331,969**	(288,360)
Net increase/(decrease) in cash and cash equivalents		**15,415**	(1,305,963)
Cash and cash equivalents at 1 January		**885,028**	2,444,694
Effect of exchange rate fluctuations on cash held		**298**	(16,555)
Cash and cash equivalents at 30 June	14	**900,741**	1,122,176

The notes on pages 19 to 30 form part of this interim financial report.

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars)

1 Reporting entity

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 interim financial report of the Company as at and for the six months ended 30 June 2015 comprises the Company and its subsidiaries (collectively referred to as the "Group") and the Group's interest in a joint venture.

2 Basis of preparation

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard ("IAS") 34, *Interim financial reporting*, promulgated by the International Accounting Standards Board ("IASB"). It was authorised for issue on 10 August 2015.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2014 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2015 annual financial statements. Details of these changes in accounting policies are set out in note 3.

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2014 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs").

The financial information relating to the financial year ended 31 December 2014 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2014 are available from the Company's principal place of business in Hong Kong. The auditors have disclaimed an opinion on those financial statements in their report dated 31 March 2015.

2 Basis of preparation (continued)

As at 30 June 2015, the Group had net current liabilities of $4,150,903,000. Its total borrowings and finance lease liabilities amounted to $8,577,786,000, out of which $7,433,981,000 are due within 12 months of that date. The Group had operating cash outflow of $61,016,000 for the six months ended 30 June 2015. These conditions indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern. In view of such circumstances, the directors of the Group have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. Certain measures have been taken to mitigate the liquidity pressure and to improve its financial position which include but are not limited to the following:

(i) In March 2015, a wholly-owned subsidiary of the Group has obtained approval from National Association of Financial Market Institutional Investors to issue (i) short term financing notes of an aggregate principal amount of up to Renminbi ("RMB") 1.8 billion with a term of 366 days from the date of issuance of which the first tranche of short term financing notes with principal amount of RMB500 million was issued on 16 March 2015 and (ii) private placement notes of an aggregate principal amount of up to RMB2.5 billion with a term of 3 years from the date of issuance. The total unutilised portion up to the date of this interim financial report amounted to RMB3.8 billion (approximately $4.8 billion). In addition, the current bank loans which are due within one year are expected to be renewed upon maturity;

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

(iii) Implementing comprehensive policies to improve profitability.

The directors have reviewed the Group's cash flow projections covering a period of twelve months from the end of the reporting period prepared by management. They are of the opinion that, taking into account the above-mentioned plans and measures, 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 Changes in accounting policies

The IASB has issued a number of amendments to IFRSs that are first effective for the current accounting period of the Group and the Company. These developments have had no material impact on the contents of this interim financial report.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

In addition, accounting policies that are adopted by the Group in 2015 are set out below:

Intangible assets (other than goodwill)

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. Computer software with finite useful life is amortised from the date it is available for use and its estimated useful life is 5 years. Both the period and method of amortisation are reviewed annually.

4 Revenue and segment information

(a) Segment results

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the six months ended 30 June 2015 and 2014 is set out below:

	Chilled and frozen meat Six months ended 30 June		Processed meat products Six months ended 30 June		Total Six months ended 30 June	
	2015 $'000	2014 $'000	**2015 $'000**	2014 $'000	**2015 $'000**	2014 $'000
External revenue	**8,288,353**	7,619,387	**1,295,357**	1,424,877	**9,583,710**	9,044,264
Inter-segment revenue	**182,111**	530,519	**16,636**	1,097	**198,747**	531,616
Reportable segment revenue	**8,470,464**	8,149,906	**1,311,993**	1,425,974	**9,782,457**	9,575,880
Depreciation and amortisation	**(205,331)**	(255,770)	**(65,890)**	(47,990)	**(271,221)**	(303,760)
Reversal of/(provision for) impairment losses on trade and other receivables	**276**	7,412	**(15,162)**	16,574	**(14,886)**	23,986
Government subsidies	**44,642**	79,596	**24,995**	140,895	**69,637**	220,491
Reportable segment (loss)/profit	**(428,828)**	(16,922)	**(81,897)**	183,832	**(510,725)**	166,910
Income tax expense	**(1,302)**	(939)	**(4,932)**	(8,917)	**(6,234)**	(9,856)

Segment assets and liabilities of the Group are not reported to the Group's most senior executive management regularly. As a result, reportable segment assets and liabilities have not been presented in this interim financial report.

4 Revenue and segment information (continued)

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

	Six months ended 30 June	
	2015	2014
	$'000	$'000
Revenue		
Total revenue from reportable segments	**9,782,457**	9,575,880
Elimination of inter-segment revenue	**(198,747)**	(531,616)
Consolidated revenue	**9,583,710**	9,044,264
(Loss)/profit		
Reportable segment (loss)/profit	**(510,725)**	166,910
Elimination of inter-segment profits	**4,165**	(2,917)
Reportable segment (loss)/profit derived from Group's external customers	**(506,560)**	163,993
Share of loss of a joint venture	**(660)**	(2,619)
Loss on disposal of a joint venture	**(2,086)**	–
Loss on disposal of a subsidiary	**(12,047)**	–
Net finance costs	**(141,862)**	(118,809)
Income tax expense	**(6,553)**	(10,155)
Unallocated head office and corporate expenses	**(54,478)**	(16,301)
Consolidated (loss)/profit for the period	**(724,246)**	16,109

5 Seasonality of operations

The Group's operations are subject to seasonal fluctuations. Demand for processed meat products in general peaks during the period immediately before the Chinese New Year in January or February each year and returns to a normal level thereafter.

6 Other net income

	Six months ended 30 June	
	2015	2014
	$'000	$'000
Government subsidies	**70,446**	221,823
Loss on disposal of a joint venture	**(2,086)**	–
Loss on disposal of a subsidiary (note)	**(12,047)**	–
(Loss)/gain on disposal of lease prepayment and property, plant and equipment	**(55,248)**	12,768
Rental income	**17,920**	16,591
Sales of scrap	**175**	3,005
Sundry income	**31,318**	18,111
	50,478	272,298

Note: In January 2015, the Group disposed of its entire equity interest in its wholly owned subsidiary in chilled and frozen meat segment to a third party, of which net assets disposed amounted to $38,491,000. The cash consideration amounting to RMB24,300,000 (approximately $30,164,000) shall be settled by instalments within five years from the date of the transfer agreement. A loss on disposal of a subsidiary amounting to $12,047,000 was recognised in profit or loss during the six months ended 30 June 2015 (six months ended 30 June 2014:$Nil).

7 (Loss)/profit before income tax

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

(a) Net finance costs

	Six months ended 30 June	
	2015	2014
	$'000	$'000
Interest on bank loans, medium term notes and short term financing notes	**253,783**	238,922
Interest on lease obligations	**2,689**	3,217
Less: Interest expense capitalised into property, plant and equipment under development	**(106,657)**	(114,080)
	149,815	128,059
Bank charges	**2,648**	1,227
Net foreign exchange loss	**880**	8,967
Interest income from bank deposits	**(7,047)**	(6,825)
Investment income from available-for-sale financial assets	**(4,434)**	(12,619)
	141,862	118,809

Certain of the Group's bank loan facilities were subject to the fulfilment of covenants relating to the financial ratios and capital requirements, as are commonly found in lending arrangements with financial institutions. These financial ratios and capital requirements relate to the financial performance of certain subsidiaries of the Group in the People's Republic of China (the "PRC"). If the Group was to breach the covenants, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. At 30 June 2015, the Group could not fulfil covenants imposed by banks on loans of an aggregate amount of $1,211,742,000 of which $1,117,601,000 are short-term bank loans classified as current liabilities. Bank loans totalling $94,141,000 were reclassified from non-current liabilities to current liabilities as at 30 June 2015. Management of the Group has discussed the repayment schedule with the relevant banks and does not expect the banks will request the Group to repay earlier than the scheduled repayment dates.

7 (Loss)/profit before income tax (continued)

(b) Other items

	Six months ended 30 June	
	2015	2014
	$'000	$'000
Provision for/(reversal of) impairment losses on trade and other receivables	**14,886**	(23,986)
Amortisation of lease prepayments	**40,918**	43,799
Amortisation of an intangible asset	**6,194**	–
Depreciation	**231,724**	267,987
Impairment losses on property, plant and equipment (note 11)	**34,163**	–

8 Income tax expense

	Six months ended 30 June	
	2015	2014
	$'000	$'000
Current tax expense	**8,559**	3,383
Deferred tax	**(2,006)**	6,772
	6,553	10,155

(a) Pursuant to the rules and regulations of Bermuda and the British Virgin Islands (the "BVI"), the Group is not subject to any income tax in Bermuda and the BVI.

(b) No provision for Hong Kong Profits Tax has been made as the Group did not have assessable profits subject to Hong Kong Profits Tax for the six months ended 30 June 2015 and 2014.

(c) Pursuant to the income tax rules and regulations of the PRC, the companies comprising the Group in the PRC are liable to PRC corporate income tax at a rate of 25% during the six months ended 30 June 2015 and 2014, except for the enterprises engaged in the primary processing of agricultural products which are exempted from PRC corporate income tax. As a result, the profits from slaughtering operations are exempted from PRC corporate income tax for the six months ended 30 June 2015 and 2014.

(d) 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 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.

(e) The Group's consolidated effective tax rate for the six months ended 30 June 2015 was -0.9% (six months ended 30 June 2014: 38.7%).

9 Other comprehensive income

The components of other comprehensive income do not have any tax effect for the six months ended 30 June 2015 and 2014.

10 (Loss)/earnings per share

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the loss attributable to equity holders of the Company of $723,991,000 (six months ended 30 June 2014: a profit of $16,052,000) and the weighted average number of ordinary shares of 1,822,756,000 (six months ended 30 June 2014: 1,822,756,000).

(b) Diluted (loss)/earnings per share

Diluted (loss)/earnings per share equals to basic (loss)/earnings per share for the six months ended 30 June 2015 and 2014 because all potential ordinary shares outstanding were anti-dilutive.

11 Property, plant and equipment

The additions and disposals of items of property, plant and equipment during the six months ended 30 June 2015 and 2014 are as follows:

	Six months ended 30 June	
	2015	2014
	$'000	$'000
Additions	**407,765**	705,248
Carrying value of assets disposed of through disposal of a subsidiary	**(29,072)**	–
Carrying value of other assets disposed of	**(33,475)**	(29,792)

During the six months ended 30 June 2015, the Group assessed the recoverable amounts of certain assets under transportation vehicles and as a result the carrying amounts of these assets were written down to their recoverable amounts of $64,594,000. An impairment loss of $34,163,000 was recognised in administrative and other operating expenses. The estimates of recoverable amounts were based on these assets' fair values less costs of disposal, using market comparison approach by reference to recent quotations or sales prices of comparable assets. The fair values on which the recoverable amounts are based on are categorised as a Level 3 measurement.

12 Inventories

	30 June 2015	31 December 2014
	$'000	$'000
Raw materials	**296,463**	327,747
Work in progress	**59,492**	134,022
Finished goods	**539,573**	928,403
	895,528	1,390,172

12 Inventories (continued)

The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	Six months ended 30 June	
	2015	2014
	$'000	$'000
Carrying amount of inventories sold	**9,339,151**	8,341,051
(Reversal of)/write down of inventories	**(10,775)**	34,686
	9,328,376	8,375,737

13 Trade and other receivables

An ageing analysis of trade receivables (net of impairment losses for bad and doubtful debts) of the Group based on invoice date and a breakdown of trade and other receivables as at the end of the reporting period are analysed as follows:

	30 June 2015	31 December 2014
	$'000	$'000
Trade receivables		
— Within 30 days	**289,009**	365,499
— 31 days to 90 days	**132,847**	167,953
— 91 days to 180 days	**56,516**	122,568
— Over 180 days	**214,996**	128,626
	693,368	784,646
Less: Provision for impairment of trade receivables	**(28,367)**	(11,654)
Total trade receivables, net of impairment losses	**665,001**	772,992
Bills receivable	**24,518**	16,045
Value-added tax ("VAT") recoverable	**1,958,107**	1,863,210
Deposits and prepayments	**125,751**	96,851
Receivables arising from the disposal of subsidiaries	**627,847**	622,284
Others	**45,553**	290,722
	3,446,777	3,662,104

In 2014, the Group disposed of its entire equity interest of a wholly owned subsidiary in chilled and frozen meat segment to Nanjing Runlong Business Investment Management Limited ("Nanjing Runlong")* 南京潤隆商業投資管理有限公司 which is indirectly owned as to 29% by Mr. Zhu Yicai ("Mr. Zhu"). The Group signed a supplementary agreement with Nanjing Runlong to extend the due date of the final payment for the sales of Nanjing Runlong of $622,521,000 to December 2015.

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

* The English translation of the company name is for reference only. The official name of this company is in Chinese.

14 Cash and cash equivalents

	30 June 2015 $'000	31 December 2014 $'000
Cash at bank and on hand	**900,741**	885,028

15 Trade and other payables

An ageing analysis of trade payables based on invoice date and a breakdown of trade and other payables (including amounts due to related parties) as at the end of the reporting period are analysed as follows:

	30 June 2015 $'000	31 December 2014 $'000
Trade payables		
— Within 30 days	**488,025**	865,231
— 31 days to 90 days	**157,936**	116,786
— 91 days to 180 days	**30,621**	26,350
— Over 180 days	**72,269**	73,842
Total trade payables	**748,851**	1,082,209
Receipts in advance	**217,479**	280,486
Deposits from customers	**125,702**	138,082
Salary and welfare payables	**88,248**	94,334
VAT payable	**5,891**	4,393
Payables for acquisitions of property, plant and equipment	**546,789**	663,537
Other payables and accruals	**525,380**	443,290
	2,258,340	2,706,331

16 Capital, reserves and dividends

(a) Dividends payable to equity holders attributable to the interim period

The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2015 (2014: $Nil).

(b) Equity settled share-based transactions

On 3 September 2011, 25 March 2013 and 14 June 2013, 83,400,000 share options ("2011 Options"), 59,600,000 share options ("2013 March Options") and 105,500,000 share options ("2013 June Options") were granted for $1 to qualified employees of the Group under the Company's employee share option scheme (no share options were granted during the six months ended 30 June 2015). Each option gives the holder the right to subscribe for one ordinary share of the Company. The options granted are subject to a vesting scale in tranches of 25% each annum starting from 2012, 2014 and 2014 after announcement of results for the previous year and achievement of performance-based vesting condition. The option shall lapse when the performance-based condition is not satisfied. The exercise prices are $18.04, $5.142 and $5.002 respectively, being the weighted average closing prices of the Company's ordinary shares immediately before the grant.

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 grantee during the six months ended 30 June 2015 (six months ended 30 June 2014: $Nil).

No options were exercised while 72,085,500 (six months ended 30 June 2014: 64,852,500) options were lapsed during the six months ended 30 June 2015.

17 Fair value measurement of financial instruments

Fair values of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 30 June 2015 and 31 December 2014.

18 Capital commitments outstanding not provided for in the interim financial report

	30 June 2015 $'000	31 December 2014 $'000
Contracted for	**4,894,870**	5,857,464

19 Related party transactions

During the six months ended 30 June 2015 and 2014, in addition to the transactions and balances disclosed elsewhere in this interim financial report, the Group had the following material related party transactions:

(a) Significant related party transactions

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

	Six months ended 30 June	
	2015	2014
	$'000	$'000
Sales of raw materials to related companies (note)	**2,954**	3,049
Sales of finished goods to related companies (note)	**8,397**	8,138
Purchases of raw materials from related companies (note)	**276,576**	208,385

Note: Mr. Zhu is the beneficial shareholder of the Company and also has beneficial interest in the related companies. Mr. Zhu is the Honorary Chairman and the senior advisor of the Board of the Company.

(ii) The Group leased certain property, plant and equipment and land use rights owned by the related parties (note 19(a)(i)) under finance leases and operating leases respectively. The rental paid or payable to the related parties for the six months ended 30 June 2015 amounted to $2,843,000 (six months ended 30 June 2014: $3,523,000).

(iii) Certain related parties (note 19(a)(i)) made available their properties and land use rights with a total carrying value of $168,870,000 (31 December 2014: $171,932,000) as at 30 June 2015 to the Group. No rental is paid or payable by any of the group companies.

19 Related party transactions (continued)

(b) Amounts due from related parties

	30 June 2015 $'000	31 December 2014 $'000
Trade receivables due from related parties (note 19(a)(i))	**9,567**	6,254
Other receivables due from related parties (note 19(a)(i))	**2,254**	3,677

Amounts due from related parties are unsecured, interest free and are expected to be recovered within one year.

(c) Amounts due to related parties

	30 June 2015 $'000	31 December 2014 $'000
Trade payables due to related parties (note 19(a)(i))	**65,350**	47,914
Other payables due to related parties (notes 19(a)(i) and 19(c)(i))	**48,230**	–

(i) Certain related parties settled certain payables on behalf of the Group for the six months ended 30 June 2015.

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 is as follows:

	Six months ended 30 June	
	2015 **$'000**	2014 $'000
Salaries and other emoluments	**1,720**	2,524
Contributions to retirement benefit schemes	**79**	77
	1,799	2,601