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 2022

Contents

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-executive Directors

Gao Hui
Chen Jianguo
Miao Yelian

AUDIT COMMITTEE

Gao Hui *(Chairman)*
Chen Jianguo
Miao Yelian

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
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Hamilton HM 11
Bermuda

HEAD OFFICE

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Jianye District
Nanjing
The People's Republic of China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
4th Floor North
Cedar House
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Hamilton HM 12
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

Cleary Gottlieb Steen & Hamilton (Hong Kong)
Sidley Austin
Norton Rose Fulbright Hong Kong

As to Bermuda Law

Conyers Dill & Pearman

STOCK CODE

1068

WEBSITE

www.yurun.com.hk

INDUSTRY OVERVIEW

In the first half of 2022, under the influence of unexpected factors such as the Russo-Ukrainian crisis and sanctions measures, a new round of epidemic prevention and control policies, China's economic pressure mounted again. Against this backdrop, China accelerated the resumption of production and business, and the macroeconomy showed a pattern of steady growth in the first half of the year. According to the data published by the National Bureau of Statistics of China ("NBS"), when calculated at comparable prices, China's gross domestic product grew by 2.5% year-on-year to Renminbi ("RMB") 56,264.2 billion in the first half of 2022. The year-on-year increase of the consumer price index ("CPI") in the first half of 2022 was 1.7%. The food and beverage market remained sluggish amid the resurgence of the pandemic. According to the latest data published by the NBS, in the first half of 2022, the revenue in the national food and beverage sector was RMB2,004 billion, representing a year-on-year decrease of 7.7%.

In the first half of 2022, coupled with the effective policies and measures for steady production and supply protection, and the continuous release of production capability of hogs in the newly added, reconstructed and expanded hog farms, hog production capacity recovered rapidly. According to the latest data published by the Ministry of Agriculture and Rural Affairs, in the first half of 2022, the number of hogs to be slaughtered in China was 366 million heads, a year-on-year increase of 8.4%. The national pork output was 29.39 million tons, up 8.2% comparing to the same period last year. Since the hog production capability continued to release, the national average price of hogs in the first half of 2022 decreased by approximately 44% year-on-year.

During the six months ended 30 June 2022 (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 an active and prudent strategy despite various unsteady factors, and was committed to adhering to its belief to provide consumers with high-quality meat products in the complex and changeable market environment.

BUSINESS REVIEW

During the Review Period, our business was impacted by a new round of epidemic prevention and control policies, which led to the temporary suspension of work and production in the regions where some of the Group's production bases are located. However, with the approval of the Restructuring Plan at the creditors' meeting on 28 January 2022 and the ruling of the Intermediate People's Court of Nanjing on the same day, the Group focused on the development of its principal business of the "Haroulian" ("HRL") series brand, the continuous improvement in product quality strived to bring safe and reliable products to consumers and operated steadily, resulting in an improvement in operating results.

Product Quality and Research & Development

Yurun Food has always put product quality as its top priority, and has adopted a strict internal quality control system throughout all processes of procurement, production, sales, and logistics. Yurun Food has successfully established a positive corporate image of food safety and high quality in the minds of consumers. Since its establishment, Yurun Food has been closely cooperating with the national and local quality supervision agencies at all levels for the provision of safe, reliable, healthy, and delicious meat products to its consumers.

Our "HRL" brand is a well-known trademark, and "Dazhong Roulian" is also a "China Time-honored Brand" (中華老字號). "HRL" is not only well known for its persistent quality, which is the meat product enterprise that has passed ISO9001, ISO14001, ORSAS18001 and ISO22000 "Four in One" system certifications, but also successively won dozens of honors, including the National Quality Award of the People's Republic of China ("PRC"), the highest award of the first China Food Exposition, and the traditional flavor award of meat quality evaluation by the China Meat Association, which fully proves the high recognition of the "HRL" brand by the market.

During the Review Period, Harbin Dazhong Roulian Food Co., Ltd, a subsidiary of the Group, rated as "China 3.15 Integrity Enterprise" in the annual "National 3.15 Integrity Brand Survey". The Group will continue to focus on the research and development of new products that are well received by the market while ensuring the high quality of its products, so as to further enhance its market competitiveness and maintain its leading position in the industry.

Deconsolidation of Restructuring Companies

Reference is made to the annual report of the Company for the year ended 31 December 2021 (the "2021 Annual Report"). Unless otherwise defined, capitalized terms used below shall have the same meanings as those defined in the 2021 Annual Report.

As disclosed in the Group's 2021 annual report, due to the Deconsolidation, the assets and liabilities of the Restructuring Companies were excluded from the consolidated financial statements of the Group since 30 April 2021. The Restructuring Companies were companies with heavy liabilities, therefore resulting in recognition of approximately HK$3.491 billion gain on deconsolidation of subsidiaries in the first half of 2021, which is a one-off and non-cash item. No such gain was recognized during the Review Period.

The consolidated statement of profit or loss of the Group during the Review Period comprises the figures of the Company and the remaining 37 subsidiaries after the Restructuring. The comparative figures for the same period last year represented the profit or loss of the Company and all subsidiaries before the Restructuring (including the Restructuring Companies) for the four months ended 30 April 2021 and the figures of the Company and the remaining subsidiaries for May and June 2021. The consolidation scope of the consolidated statement of financial position as at 30 June 2022 is consistent with the consolidation scope of the consolidated statement of financial position as at 31 December 2021.

As the scope of consolidation changed, there had been significant variance in the profit and loss items compared with the same period last year, which may also have an impact on the comparability of the relevant financial figures.

Sales and Distribution

Chilled pork and low temperature meat products ("LTMP"), the Group's products with high added values, remained the key business drivers of the Group during the Review Period. In the first half of 2022, sales of chilled pork of the Group was HK$644 million (first half of 2021: HK$5.276 billion), accounting for approximately 66% (first half of 2021: 72%) of the total revenue of the Group prior to inter-segment eliminations and approximately 89% (first half of 2021: 90%) of the total revenue of the upstream slaughtering segment. Sales of LTMP was HK$145 million (first half of 2021: HK$1.091 billion), accounting for about 15% (first half of 2021: 15%) of the total revenue of the Group prior to inter-segment eliminations and approximately 56% (first half of 2021: 76%) of the total revenue of the downstream processed meat segment.

Production Facilities and Production Capacity

As of 30 June 2022, the annual production capacity of the Group's upstream slaughtering segment and downstream processed meat segment was approximately 3.35 million heads and 56,000 tons, respectively, which was in line with that as of 31 December 2021.

FINANCIAL REVIEW AND KEY PERFORMANCE INDICATORS

The Group recorded revenue of HK$979 million for the first half of 2022 (first half of 2021: HK$7.179 billion). During the first half of 2021, the Group recognized a gain on deconsolidation of subsidiaries of approximately HK$3.491 billion, while no such one-off gain was recognized during the Review Period. Loss attributable to equity holders of approximately HK$11 million (first half of 2021: profit attributable to equity holders HK$3.288 billion) during the Review Period. Loss arising from principal business (loss attributable to equity holders excluding one-off losses such as government subsidies, gain or loss on disposal of non-current assets, net foreign exchange gains, and provision for losses on litigations) amounted to approximately HK$15 million (first half of 2021: HK$216 million). Diluted losses per share was HK$0.006 (first half of 2021: diluted earnings of HK$1.804).

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 Period, the average purchase price of hogs of the Group decreased by approximately 43.6% compared with the first half of 2021. Due to the change in scope of consolidation, the slaughtering volume decreased to approximately 0.36 million heads (first half of 2021: 1.29 million heads).

As a result of the combined effect of the decrease in pork prices and the change in scope of consolidation, the overall sales revenue of the upstream business prior to inter-segment eliminations decreased to HK$722 million (first half of 2021: HK$5.856 billion). Specifically, the revenue from chilled pork was HK$644 million (first half of 2021: HK$5.276 billion) and accounted for approximately 66% (first half of 2021: 72%) of the Group's total revenue prior to inter-segment eliminations and approximately 89% (first half of 2021: 90%) of the upstream business total revenue. The sales of frozen pork amounted to HK$77 million (first half of 2021: HK$580 million) and representing approximately 11% (first half of 2021: 10%) of the total revenue of the upstream business.

Processed Meat Products

Due to the change in scope of consolidation, sales of processed meat products of the Group prior to inter-segment eliminations was HK$258 million (first half of 2021: HK$1.441 billion) during the Review Period.

Specifically, the revenue of LTMP was HK$145 million (first half of 2021: HK$1.091 billion). LTMP remained the key revenue driver of the processed meat business, accounting for approximately 56% (first half of 2021: 76%) of the total revenue of the processed meat segment. Revenue from high temperature meat products ("HTMP") was HK$113 million (first half of 2021: HK$350 million), accounting for approximately 11% (first half of 2021: 5%) of the Group's total revenue prior to inter-segment eliminations and approximately 44% (first half of 2021: 24%) of the total revenue of the processed meat segment, respectively.

Gross Profit and Gross Profit Margin

The Group's gross profit decreased from HK$387 million in the first half of 2021 to HK$66 million during the Review Period as a result of the change in the scope of consolidation. However, after the Restructuring, the Group focused on the development of products under the "HRL" brand with a higher gross profit margin, resulting in an increase in overall gross profit margin by 1.4 percentage points to 6.8% from 5.4% in the same period last year.

In respect of the upstream business, gross profit margins of chilled pork and frozen pork were 1.8% and -3.7% respectively (first half of 2021: 1.9% and 0.8% respectively). The overall gross profit margin of the upstream segment was 1.2%, representing a decrease of 0.6 percentage point from 1.8% in the same period last year. Decrease in gross profit margin was mainly due to the increase in transportation costs resulting from the implementation of epidemic prevention and control policies in China and the decrease in pork price during the Review Period.

In respect of the downstream business of processed meat products, gross profit margin of LTMP was 17.6%, representing a decrease of 0.4 percentage point from 18.0% in the same period last year. The gross profit margin of HTMP increased by 0.4 percentage point to 20.5% from 20.1% in the same period last year. Due to the adjustment of product mix and the decrease in purchase price of raw meats, the overall gross profit margin of the downstream business increased 0.4 percentage point from 18.5% in the same period last year to 18.9%.

Other Net Income

During the Review Period, the Group recorded other net income of approximately HK$5 million (first half of 2021: HK$67 million). It was mainly attributable to government subsidies and gain on disposal of lease prepayments and property, plant, and equipment.

Operating Expenses

Operating expenses included distribution expenses and administrative and other operating expenses. During the Review Period, operating expenses of the Group were HK$62 million (first half of 2021: HK$638 million), accounting for 6.4% (first half of 2021: 8.9%) of the Group's revenue. The decrease was mainly attributable to the change in consolidation scope.

Results of Operating Activities

During the Review Period, the Group's operating profit was approximately HK$9 million (first half of 2021: HK$3.308 billion). The decrease was mainly due to the Group recognized a gain on deconsolidation of subsidiaries of approximately HK$3.491 billion in the first half of 2021, while no such one-off gain was recognized during the Review Period.

Net Finance Costs

During the Review Period, the net finance costs of the Group were HK$20 million, while they were HK$14 million in the same period last year. The increase in net finance costs was mainly due to the decrease in net foreign exchange gains.

Income Tax

During the Review Period, the income tax expenses were approximately HK$5 million (first half of 2021: HK$8 million).

(Loss)/Profit Attributable to the Equity Holders of the Company

Taking into account the above factors, the loss attributable to the equity holders of the Company during the Review Period was approximately HK$11 million (first half of 2021: profit attributable to the equity holders of HK$3.288 billion). During the Review Period, loss arising from principal business, being loss attributable to the equity holders of the Company excluding one-off loss such as government subsidies, gain/loss on disposal of non-current assets, net foreign exchange gain, and provision for losses on litigations, was HK$15 million (first half of 2021: HK$216 million). Reduction in loss is mainly due to the Restructuring Companies which recorded a significant losses were excluded from the consolidated financial statements of the Group since 30 April 2021 and the measures to improve operation are gradually becomes effective.

FINANCIAL RESOURCES

As of 30 June 2022, the Group's cash and cash equivalents was HK$60 million, representing a decrease of HK$20 million as compared to HK$80 million as at 31 December 2021. Approximately 85% (31 December 2021: 86%) of the above-mentioned financial resources was denominated in RMB, and 12% (31 December 2021: 10%) was denominated in US Dollars ("USD"), while the remaining was denominated in other currencies.

As at 30 June 2022, the Group had outstanding bank borrowings of HK$509 million which are repayable within one year, representing a decrease of HK$36 million as compared to HK$544 million as at 31 December 2021. Please refer to the paragraph headed "Breach of Borrowings Agreements" below for the details of the breach of borrowings agreements of bank borrowings of the Group.

All borrowings were denominated in RMB, which were the same as the borrowings as of 31 December 2021. As at 30 June 2022, the Group's fixed-rate debt ratio was 82.1% (31 December 2021: 82.5%).

During the Review Period, the net cash outflow of the Group was mainly the net cash inflow from operating activities net of capital expenditure and repayment of certain bank borrowings.

During the Review Period, the capital expenditure was approximately HK$8 million (30 June 2021: HK$102 million).

BREACH OF BORROWINGS AGREEMENTS

As at 30 June 2022, the Group could not fulfill certain covenants imposed by the bank on the bank borrowings of HK$509 million (31 December 2021: HK$544 million). All of these bank borrowings and the accrued interests of HK$245 million (31 December 2021: HK$237 million) were overdue. As at 30 June 2022, certain bank borrowings were secured by trade receivables of HK$18 million and guaranteed by certain companies within the Restructuring Companies.

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 note 17 to the consolidated financial statements of this report. 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 realize 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 realize their rights as creditors to receive the debts repayments 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 or the equity interests in the new platform allocated to them upon realizing their rights. If the creditors fail to realize their rights as creditors to receive the debts repayments 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 realize 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 borrowers, i.e. members of the Group in accordance with the respective loan agreements.

Subsequent to 30 June 2022 and up to the date of approval of this interim financial report, the aforesaid bank borrowings were not yet renewed.

The Group has closely communicated with the banks (which comprise three state-owned and national commercial banks in China) regarding the above matters to extend, renew and/or amend the term of the outstanding bank borrowings. In the course of communication, the Group understood that the banks will not take any radical actions against the Group and all parties hoped that the Group can maintain normal operations. As such, the Board believes that the likelihood of demands from the bank for immediate repayment is not high and the above matters do not have a significant impact on the operations of the Group.

ASSETS AND LIABILITIES

As at 30 June 2022, the total assets of the Group were HK$1.169 billion (31 December 2021: HK$1.307 billion), representing a decrease of HK$138 million as compared with that as at 31 December 2021. Its total liabilities as at 30 June 2022 were HK$1.661 billion, representing a decrease of HK$116 million as compared to HK$1.776 billion as at 31 December 2021.

As at 30 June 2022, the property, plant, and equipment of the Group amounted to HK$484 million (31 December 2021: HK$520 million), representing a decrease of HK$36 million as compared to 31 December 2021.

Lease prepayments as at 30 June 2022 amounted to HK$97 million (31 December 2021: HK$102 million). This represented the purchase cost of land use rights of the Group which was amortized on a straight-line basis over the respective period of the rights.

Non-current prepayments and other receivables of the Group mainly represented the prepayments for acquisitions of land use rights and property, plant and equipment, and the non-current portion of value-added tax recoverable. As at 30 June 2022, they amounted to HK$2 million (31 December 2021: HK$3 million) and HK$93 million (31 December 2021: HK$165 million), respectively. Prepayments for acquisitions of land use rights and property, plant, and equipment have not started to depreciate nor amortize.

Despite the net liabilities position as at 30 June 2022, the Group had non-current assets of approximately HK$678 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. The Directors believe that leveraging the improvement of the economic environment and the management's proactive efforts to keep improving its operating profit and reducing borrowings pressures, we are confident that the Group will be able to be back to its net assets position.

As at 30 June 2022, the net current liabilities and net liabilities of the Group were HK$1.105 billion (31 December 2021: HK$1.193 billion) and HK$492 million (31 December 2021: HK$470 million) respectively. Its current bank borrowings amounted to HK$509 million (31 December 2021: HK$544 million), while the cash and cash equivalents amounted to approximately HK$60 million (31 December 2021: HK$80 million). As mentioned above, although the Group failed to fulfill certain contractual terms of bank borrowings and some subsidiaries of the Group are facing various litigations, the Group has been in active negotiations with banks on renewal and waiver of the repayable on demand clause and breach of the undertaking and restrictive covenant requirements and to persuade the banks to realize their rights as creditors under the consolidated restructuring plan. We consider the negotiations have been relatively positive. In addition, the Group will implement operating plans to increase profitability and control costs to generate sufficient operating cash flows. 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 Period.

As the total equity attributable to equity holders of the Company was a deficiency of approximately HK$540 million, the calculation of gearing ratio as at 30 June 2022 was not applicable.

CHARGES ON ASSETS

As at 30 June 2022, certain trade receivables of the Group with a carrying amount of approximately HK$18 million (31 December 2021: HK$11 million) were pledged against certain bank borrowings with a total amount of approximately HK$45 million (31 December 2021: HK$47 million).

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES, AND FUTURE PLANS FOR MATERIAL INVESTMENT IN OR ACQUISITION OF CAPITAL ASSETS

During the Review Period, the Group did not hold any other significant investment nor have any substantial acquisition and disposal of subsidiaries or associated companies. 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 30 June 2022, there were outstanding litigations commenced by the banks in the PRC against certain subsidiaries of the Group demanding them to repay the outstanding bank borrowings of HK$509 million (31 December 2021: HK$544 million). The Group is in negotiation with the banks to settle 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 Group will make further announcements in due course by 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 30 June 2022, the Group had approximately 1,100 (31 December 2021: approximately 1,500) employees in the PRC and Hong Kong in total. During the Review Period, the total staff cost was HK$55 million, accounting for 5.6% of the revenue of the Group (first half of 2021: HK$352 million, accounting for 4.9% of revenue).

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

ENVIRONMENTAL POLICIES AND PERFORMANCE

With the development of enterprises and the progress of society, it has become a consensus and requirement to enhance environmental protection. As a responsible corporation, the Group is committed to promoting environmental protection and minimizing the impact of production and business activities on the environment. During the Review Period, the Group insisted on protecting the ecological environment by protecting productivity and improving the ecological environment by developing products and implementing measures to reduce waste generated during its production process. In the long run, the Group aims at improving relevant measures to minimize waste generation, actively respond to national policies, and cooperate with environmental protection departments at all levels. The Group will improve corporate environmental management in parallel with economic development, and strive to become an excellent enterprise with a win-win situation for both the economy and the environment.

SUPPLEMENTAL INFORMATION ABOUT THE "DISCLAIMER OF OPINION" INCLUDED IN THE INDEPENDENT AUDITOR' S REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

Reference is made to the annual report of the Company for the year ended 31 December 2021 (the "2021 Annual Report"). Unless otherwise defined, capitalized terms used below shall have the same meanings as those defined in the 2021 Annual Report.

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 2021 Annual Report that they do not express an opinion on the consolidated financial statements in the 2021 Annual Report 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".

Work Plan

The major work plans of the Company include:

i. Settlement of overdue bank borrowings: The Group's current overdue but outstanding bank borrowings are from three state-owned and national commercial banks in the PRC. The Group has been communicating with the relevant banks to demand the principal to be repaid by installments and remission of penalty interest and compound interest for the previous periods. The communication process generally requires a consensus to be reached with the branches of the relevant lending banks before reporting to the head office after obtaining approval has been granted at the relevant branch level. The branches can only execute the solution after the final approval by the head office. The communication schedule, approval process, and difficulties differ from bank to bank, and the Group needs to communicate with each bank according to its approval process.

Due to the severe epidemic situation in China in recent months, the local governments where the branches of relevant banks are located issued intensive announcements from March to April 2022. The non-livelihood economies of the whole city were suspended and entered into silent management (e.g. suspension of subway service, reduction of bus trips, restriction on the number of private cars which can travel, etc.), so communication with banks was temporarily suspended. Although the communication process has been resumed, if the epidemic continues to be severe in China, the above communication process will also likely be delayed.

In the past, the Directors and the management have been negotiating with the banks on several occasions and will continue to fulfill their responsibilities as Directors and management in the second half of 2022 to 2023, endeavoring 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.

ii. By improving profitability, controlling costs, and generating sufficient operating cash flows: For details, please refer to the section headed "Specific plans to resolve the disagreement with the Auditor on the going concern basis and to remove "Disclaimer of Opinion" in the 2021 Annual Report. To improve the Group's financial performance, enhance profitability, control costs and improve cash flow, the Group has adopted a series of measures since last year. After the implementation and execution of the relevant measures, although the Group's business was still affected by the African Swine Fever and the COVID-19 pandemic in 2021 and the first half of 2022, resulting in a decline in consumer demand, the loss was reducing which proved the effectiveness of the measures. Due to the impact of the COVID-19 pandemic in the PRC, some of the Group's production bases have to suspend production due to the lockdown policies of the PRC government. In addition, the government's increasingly stringent requirements on epidemic control have affected various production and business activities. Therefore, the management expects that the expected results of the above measures will be delayed by at least three to six months.

Removal of "Disclaimer of Opinion"

The Directors believe that when the above work plan can be implemented as expected, the Group will be able to turn loss into profit and comply with the revised terms or re-financing terms of the outstanding bank borrowings and generate sufficient cash flows to gradually maintain a healthy and positive cash inflow to repay the bank borrowings to eliminate the uncertainty of the Auditor on the going concern of the Group. Subject to the success and favorable results of such work plans (as the outcome of resolving the overdue bank borrowings depends on the approval process and communication of the progress of the respective banks) and in light of the impact of the COVID-19 pandemic in the PRC and subject to the conclusion of negotiations with the respective banks in the second half of 2022 to 2023, the Directors expect that the "Disclaimer of Opinion" could be removed in the auditor's report on the financial statements for the year ending 31 December 2023.

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the Review Period (first half of 2021: HK$Nil).

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

As at 30 June 2022, the number of issued ordinary shares of the Company was 1,822,755,650; and the interests and short positions of the Directors and the 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 (the "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 Listing Rules were as follows:

Interest in shares and underlying shares of the Company

Name of Director	Capacity	Interest in ordinary shares	Interest in underlying shares(Note)	Total	Approximate percentage of interest
Yang Linwei	Beneficial owner	–	2,000,000	2,000,000	0.11%

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 Schemes" below.

Save as disclosed above, as at 30 June 2022, 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 2022, 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 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.

Save as disclosed above, as at 30 June 2022, 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 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.

The detailed terms of the New Share Option Scheme were disclosed in the 2020 and 2021 annual reports of the Company. The Company had not granted any share option under the New Share Option Scheme since its adoption.

Details of the outstanding share options under the Old Scheme during the Review Period are shown below:

Name or category of participant	As at 1 January 2022	Granted during the Review Period	Exercised during the Review Period	Lapsed during the Review Period	As at 30 June 2022	Exercise price per share[3] HK$	Date of grant (DD.MM.YYYY)	Option period[1] (DD.MM.YYYY)
	Number of shares which may be issued pursuant to the share options							
Director								
Yang Linwei	2,000,000	–	–	–	2,000,000	5.142	25.03.2013	25.03.2013 – 24.03.2023
Subtotal	2,000,000[2]	–	–	–	2,000,000[2]			
Other employees (including ex-employees)								
In aggregate	5,300,000	–	–	–	5,300,000	5.142	25.03.2013	25.03.2013 – 24.03.2023
In aggregate	8,975,000	–	–	(1,925,000)	7,050,000	5.002	14.06.2013	14.06.2013 – 13.06.2023
Subtotal	14,275,000	–	–	(1,925,000)	12,350,000			
Total	16,275,000	–	–	(1,925,000)	14,350,000			

Notes:

(1) 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 25 March 2013 and 14 June 2013 would 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 2013, 2014, 2015 and 2016 respectively. The first tranche (25%) and second tranche (25%) of the share options had lapsed due to the performance targets of the Group and the individual grantees not having been achieved. For the third tranche (25%) and fourth tranche (25%) of the share options, the Board had approved to waive the performance-based condition set by the Company in order to provide incentives for the qualified employees.

(2) The share options represent personal interests held by the relevant Director as beneficial owner.

(3) The closing prices of the shares of the Company immediately before the dates of grants (i.e. 22 March 2013 and 13 June 2013 respectively) were HK$5.17 and HK$4.83 respectively.

(4) No share options were cancelled under the Old 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 enhance shareholders' value.

The Board currently comprises five Directors. 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 whether the performances of the management are in line with the Company's operating objectives.

The Company has also established risk management and internal control systems 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 of the Company is responsible for reviewing the effectiveness of the Group's risk management and internal control systems 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 ready, 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 matter disclosed below:

In compliance with code provision C.2.1 of the CG Code, 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. Nonetheless, the Company appointed Ms. Zhu Yuan as both its Chairman and Chief Executive Officer on 28 March 2019. 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 will seek and appoint a suitable individual to take up the role of Chief Executive Officer.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code contained in Appendix 10 to the Listing Rules 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 has reviewed, with the management, the accounting principles and practices adopted by the Group and has discussed internal controls, risk management and financial reporting matters, including the review of the unaudited interim results of the Group for the Review Period.

IMPORTANT EVENTS AFFECTING THE GROUP AFTER THE REVIEW PERIOD

There was no other important event affecting the Group since 30 June 2022 and up to the date of this interim report.

By Order of the Board
Zhu Yuan
Chairman and Chief Executive Officer

Hong Kong, 26 August 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2022 – unaudited
(Expressed in Hong Kong dollars)

		Six months ended 30 June	
		2022	2021
	Notes	**$'000**	$'000
Revenue	4	**979,466**	7,178,632
Cost of sales		**(913,212)**	(6,791,541)
Gross profit		**66,254**	387,091
Other net income	6	**4,692**	67,260
Distribution expenses		**(23,523)**	(328,602)
Administrative and other operating expenses		**(38,817)**	(308,901)
Gain on deconsolidation of subsidiaries	17	**–**	3,491,306
Results from operating activities		**8,606**	3,308,154
Finance income		**300**	7,778
Finance costs		**(20,448)**	(21,693)
Net finance costs	7(a)	**(20,148)**	(13,915)
(Loss)/profit before income tax	7	**(11,542)**	3,294,239
Income tax expenses	8	**(4,593)**	(7,559)
(Loss)/profit for the period		**(16,135)**	3,286,680
Attributable to:			
Equity holders of the Company		**(10,648)**	3,288,097
Non-controlling interests		**(5,487)**	(1,417)
(Loss)/profit for the period		**(16,135)**	3,286,680
(Losses)/earnings per share			
Basic	10(a)	**HK$(0.006)**	HK$1.804
Diluted	10(b)	**HK$(0.006)**	HK$1.804

The notes on pages 22 to 36 form part of this interim financial report.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2022 – unaudited
(Expressed in Hong Kong dollars)

		Six months ended 30 June	
		2022	2021
	Notes	**$'000**	$'000
(Loss)/profit for the period		**(16,135)**	3,286,680
Other comprehensive income for the period (after tax and reclassification adjustments)	9		
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences for foreign operations		**(6,178)**	1,948
Foreign currency translation reclassified to profit or loss upon deconsolidation of subsidiaries	17	**–**	(320,886)
		(6,178)	(318,938)
Total comprehensive income for the period		**(22,313)**	2,967,742
Attributable to:			
Equity holders of the Company		**(8,711)**	2,971,278
Non-controlling interests		**(13,602)**	(3,536)
Total comprehensive income for the period		**(22,313)**	2,967,742

The notes on pages 22 to 36 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2022 – unaudited

(Expressed in Hong Kong dollars)

	Notes	30 June 2022 $'000	31 December 2021 $'000
Non-current assets			
Property, plant and equipment	11	**484,061**	519,916
Lease prepayments		**97,211**	101,851
Intangible assets		**1,178**	1,740
Non-current prepayments and other receivables		**95,267**	167,752
		677,717	791,259
Current assets			
Inventories	12	**88,583**	120,657
Trade and other receivables	13	**342,352**	314,116
Income tax recoverable		**70**	719
Cash and cash equivalents	14	**59,913**	79,751
		490,918	515,243
Current liabilities			
Bank borrowings		**508,544**	544,288
Lease liabilities		**1,634**	1,873
Trade and other payables	15	**1,081,308**	1,159,321
Income tax payable		**4,387**	2,552
		1,595,873	1,708,034
Net current liabilities		**(1,104,955)**	(1,192,791)
Total assets less current liabilities		**(427,238)**	(401,532)

	30 June 2022 $'000	31 December 2021 $'000
Non-current liability		
Lease liabilities	**64,694**	68,087
NET LIABILITIES	**(491,932)**	(469,619)
EQUITY		
Share capital	**182,276**	182,276
Reserves	**(722,328)**	(713,617)
Total equity attributable to equity holders of the Company	**(540,052)**	(531,341)
Non-controlling interests	**48,120**	61,722
TOTAL EQUITY	**(491,932)**	(469,619)

Approved and authorised for issue by the board of directors on 26 August 2022.

Zhu Yuan
Director

Yang Linwei
Director

The notes on pages 22 to 36 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022 – 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	Accumulated losses $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
At 1 January 2021	182,276	7,400,418	3,290	(70,363)	870,135	375,064	(12,062,781)	(3,301,961)	57,404	(3,244,557)
Profit/(loss) for the period	–	–	–	–	–	–	3,288,097	3,288,097	(1,417)	3,286,680
Total other comprehensive income for the period	–	–	–	–	–	(316,819)	–	(316,819)	(2,119)	(318,938)
Total comprehensive income for the period	–	–	–	–	–	(316,819)	3,288,097	2,971,278	(3,536)	2,967,742
Deconsolidation of subsidiaries (note 17)	–	–	–	–	(777,983)	–	777,983	–	38,686	38,686
Transfer from accumulated losses	–	–	–	–	15	–	(15)	–	–	–
At 30 June 2021	182,276	7,400,418	3,290	(70,363)	92,167	58,245	(7,996,716)	(330,683)	92,554	(238,129)
At 1 January 2022	**182,276**	**7,400,418**	**3,290**	**(70,363)**	**91,397**	**85,185**	**(8,223,544)**	**(531,341)**	**61,722**	**(469,619)**
Loss for the period	**–**	**–**	**–**	**–**	**–**	**–**	**(10,648)**	**(10,648)**	**(5,487)**	**(16,135)**
Total other comprehensive income for the period	**–**	**–**	**–**	**–**	**–**	**1,937**	**–**	**1,937**	**(8,115)**	**(6,178)**
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**–**	**1,937**	**(10,648)**	**(8,711)**	**(13,602)**	**(22,313)**
At 30 June 2022	**182,276**	**7,400,418**	**3,290**	**(70,363)**	**91,397**	**87,122**	**(8,234,192)**	**(540,052)**	**48,120**	**(491,932)**

The notes on pages 22 to 36 form part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022 – unaudited

(Expressed in Hong Kong dollars)

	Notes	Six months ended 30 June 2022 $'000	2021 $'000
Cash generated from/(used in) operations		**13,997**	(957)
Finance costs paid		**(53)**	(206)
Tax paid		**(1,954)**	(11,843)
Net cash generated from/(used in) operating activities		**11,990**	(13,006)
Investing activities			
Acquisition of property, plant and equipment		**(7,881)**	(101,554)
Proceeds from disposal of lease prepayments and property, plant and equipment		**2,531**	25,938
Net cash outflow arising on deconsolidation of subsidiaries	17	**–**	(146,720)
Other cash flow arising from investing activities		**265**	(1,327)
Net cash used in investing activities		**(5,085)**	(223,663)
Financing activities			
Repayment of bank borrowings		**(12,034)**	–
Other cash flow arising from financing activities		**(1,759)**	12,944
Net cash (used in)/generated from financing activities		**(13,793)**	12,944
Net decrease in cash and cash equivalents		**(6,888)**	(223,725)
Cash and cash equivalents at 1 January		**79,751**	307,550
Effect of exchange rate fluctuations on cash held		**(12,950)**	11,354
Cash and cash equivalents at 30 June	14	**59,913**	95,179

The notes on pages 22 to 36 form part of this interim financial report.

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 2022 comprises the financial information of the Company and its subsidiaries (collectively referred to as the "Group").

2. BASIS OF PREPARATION

The interim financial report of the Group has been prepared in accordance with International Accounting Standard 34 ("IAS 34"), *Interim Financial Reporting*, issued by the International Accounting Standards Board ("IASB") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange.

The interim financial report should be read in conjunction with the annual financial statements for the year ended 31 December 2021 (the "2021 annual financial statements"), which have been prepared in accordance with International Financial Reporting Standards ("IFRSs"). Except as described in note 3, the interim financial report has been prepared in accordance with the same accounting policies adopted in the 2021 annual financial statements.

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 2021 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with IFRSs.

The financial information relating to the financial year ended 31 December 2021 that is included in the interim financial report as comparative 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 2021 are available from the Company's principal place of business in Hong Kong. The auditor has disclaimed an opinion on those financial statements in its report dated 29 March 2022.

2. BASIS OF PREPARATION (CONTINUED)

The Group incurred a net loss of $16,135,000 for the six months ended 30 June 2022 and as at 30 June 2022, the Group had net current liabilities and net liabilities of $1,104,955,000 and $491,932,000 respectively. At 30 June 2022, the bank borrowings amounted to $508,544,000, while its cash and cash equivalents amounted to $59,913,000 only.

As at 30 June 2022, the bank borrowings amounted to $508,544,000 together with the accrued interest of $245,049,000 were overdue. In addition, the Group could not fulfil certain bank covenants relating to the abovementioned bank borrowings of $508,544,000 and the banks have commenced litigations against the Group to settle the outstanding balances.

These events or conditions may cast significant doubt about the Group's ability to continue as a going concern and it may not have sufficient financial resources to finance the Group's operations to meet its financial obligations as and when they fall due.

For the purpose of assessing going concern, the management have taken the following measures to mitigate the liquidity pressure and to improve its financial position:

(i) Actively negotiating with banks 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 certain bank borrowings;

(ii) Actively negotiating with banks to obtain additional new financing and other source of funding as and when required;

(iii) The potential outcome on conclusive settlement of the bank borrowings as part of consolidated restructuring; and

(iv) Implementing operation plans to enhancing profitability and control costs and to generate adequate cash flows from operations.

By assuming the successful implementation of the above measures, 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 interim financial report has been prepared on a going concern basis notwithstanding that the above events or conditions indicate the existence of material uncertainties that may cast significant doubt about the Group's ability to continue as a going concern. The audit committee of the Company has no disagreement with the Directors on the above position and the going concern basis.

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 this interim financial report.

3. CHANGES IN ACCOUNTING POLICIES

The IASB has issued a number of new or revised IFRSs that are first effective for the current accounting period of the Group. Of these, the followings are relevant to the Group.

Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41	Annual Improvements to IFRSs 2018-2020 cycle
Amendments to IAS 16	Proceed before Intended Use
Amendments to IFRS 3	Reference to the Conceptual Framework

The application of the new or amended IFRSs did not have any significant impact on the Group's accounting policies.

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 2022 and 2021 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	
	2022 $'000	2021 $'000	**2022 $'000**	2021 $'000	**2022 $'000**	2021 $'000
External revenue	**721,459**	5,765,205	**258,007**	1,413,427	**979,466**	7,178,632
Inter-segment revenue	**164**	91,200	**–**	27,615	**164**	118,815
Reportable segment revenue	**721,623**	5,856,405	**258,007**	1,441,042	**979,630**	7,297,447
Reportable segment results	**(14,338)**	(132,510)	**30,729**	(34,215)	**16,391**	(166,725)
Depreciation and amortisation	**(19,501)**	(45,030)	**(1,223)**	(21,020)	**(20,724)**	(66,050)
Impairment losses on trade receivables	**(377)**	(5,878)	**(611)**	(22,903)	**(988)**	(28,781)
Government subsidies	**1,954**	1,641	**–**	279	**1,954**	1,920
Income tax expenses	**–**	(897)	**(4,593)**	(6,662)	**(4,593)**	(7,559)

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 the interim financial report.

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

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

	Six months ended 30 June	
	2022	2021
	$'000	$'000
Revenue		
Total revenue from reportable segments	**979,630**	7,297,447
Elimination of inter-segment revenue	**(164)**	(118,815)
Consolidated revenue	**979,466**	7,178,632
(Loss)/profit		
Total reportable segment results before income tax	**16,391**	(166,725)
Elimination of inter-segment loss	**–**	(5,324)
	16,391	(172,049)
Gain on deconsolidation of subsidiaries	**–**	3,491,306
Net finance costs	**(20,148)**	(13,915)
Income tax expenses	**(4,593)**	(7,559)
Unallocated head office and corporate expenses	**(7,785)**	(11,103)
Consolidated (loss)/profit for the period	**(16,135)**	3,286,680

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	
	2022	2021
	$'000	$'000
Government subsidies	**1,954**	1,920
Provision for losses on litigations (note)	**–**	(3,000)
Gain on disposal of property, plant and equipment and lease prepayments	**1,924**	7,625
Rental income	**53**	30,364
Sales of scrap	**250**	1,883
Sundry income	**511**	28,468
	4,692	67,260

Note:

During the six months ended 30 June 2022, except for the litigations commenced by the banks against the subsidiaries of the Group as disclosed in note 7(a), the Group did not recognise any losses on litigations (six months ended 30 June 2021: $3,000,000).

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	
	2022	2021
	$'000	$'000
Interest on bank borrowings	**19,257**	21,438
Interest on lease liabilities	**1,138**	49
	20,395	21,487
Bank charges	**53**	206
Net foreign exchange gain	**(35)**	(6,145)
Interest income from bank deposits	**(265)**	(1,633)
	20,148	13,915

As at 30 June 2022, the Group could not fulfil certain covenants imposed by the bank on the bank borrowings of $508,544,000 (31 December 2021: $544,288,000). All of these bank borrowings and the accrued interest of $245,049,000 (31 December 2021: $236,634,000) were overdue. As at 30 June 2022, certain bank borrowings were secured by trade receivables of $17,880,000 (31 December 2021: $10,501,000) and guaranteed by certain companies within the Restructuring Companies.

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 note 17 of this interim financial report. 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 realize 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 realize their rights as creditors to receive the debts repayments 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 or the equity interests in the new platform allocated to them upon realizing their rights. If the creditors fail to realize their rights as creditors to receive the debts repayments 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 realize 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 borrowers, i.e. members of the Group in accordance with the respective loan agreements.

At 30 June 2022, there were outstanding litigations commenced by the banks in the PRC against certain subsidiaries of the Group requesting such subsidiaries to repay the outstanding bank borrowings of $508,544,000 (31 December 2021: $544,288,000) or to secure the repayment with assets of equivalent amounts immediately. The Group is negotiating with the banks to settle these litigations.

7. (LOSS)/PROFIT BEFORE INCOME TAX (CONTINUED)

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

(b) Personnel expenses

	Six months ended 30 June	
	2022	2021
	$'000	$'000
Salaries, wages and other benefits	**50,981**	333,863
Contributions to defined contribution pension schemes	**4,017**	18,417
	54,998	352,280

(c) Other items

	Six months ended 30 June	
	2022	2021
	$'000	$'000
Cost of inventories#	**913,212**	6,791,541
(Reversal of write-down)/write-down of inventories	**(592)**	7,979
Impairment losses on trade receivables	**988**	28,781
Amortisation of lease prepayments	**82**	8,176
Amortisation of intangible assets	**499**	544
Depreciation of property, plant and equipment	**20,143**	57,330

Cost of inventories includes approximately $35,720,000 (six months ended 30 June 2021: $123,146,000) relating to personnel expenses, which the amount is also included in the above note 7(b).

8. INCOME TAX EXPENSES

	Six months ended 30 June	
	2022	2021
	$'000	$'000
Current tax expense		
Current year	**4,593**	7,125
Under-provision in respect of prior year	**–**	434
Total income tax expenses	**4,593**	7,559

(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 2022 and 2021.

(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 2022 and 2021, 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 2022 and 2021.

(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.

9. OTHER COMPREHENSIVE INCOME

The components of other comprehensive income do not have any tax effect for the six months ended 30 June 2022 (six months ended 30 June 2021: $Nil).

10. (LOSSES)/EARNINGS PER SHARE

(a) Basic (losses)/earnings per share

The calculation of basic (losses)/earnings per share is based on the loss attributable to equity holders of the Company of $10,648,000 (profit attributable to equity holders of the Company for the six months ended 30 June 2021: $3,288,097,000) and the weighted average number of ordinary shares of 1,822,756,000 (six months ended 30 June 2021: 1,822,756,000).

(b) Diluted (losses)/earnings per share

Diluted (losses)/earnings per share equals to basic (losses)/earnings per share for the six months ended 30 June 2022 and 2021 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 2022 and 2021 are as follows:

	Six months ended 30 June	
	2022	2021
	$'000	$'000
Additions	**5,399**	81,820
Carrying value of assets deconsolidated of through deconsolidation of subsidiaries (note 17)	**–**	3,294,423
Carrying value of items disposed of	**250**	54,393

12. INVENTORIES

	30 June 2022 $'000	31 December 2021 $'000
Raw materials	**22,262**	36,125
Work in progress	**5,472**	7,141
Finished goods	**60,849**	77,391
	88,583	120,657

Reversal of write-down of inventories to their net realisable value amounted to $592,000 (31 December 2021: write-down of inventories amounted to $1,906,000) was recognised under "cost of sales" in the consolidated statement of profit or loss for the six months ended 30 June 2022.

13. TRADE AND OTHER RECEIVABLES

An ageing analysis of trade receivables (net of expected credit losses) 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 2022 $'000	31 December 2021 $'000
Trade receivables		
– Within 30 days	**39,706**	25,143
– 31 days to 90 days	**12,721**	3,441
– 91 days to 180 days	**586**	1,639
– Over 180 days	**3,443**	2,240
	56,456	32,463
Less: Expected credit losses	**(7,421)**	(6,729)
Total trade receivables, net	**49,035**	25,734
Bills receivables	**–**	202
Value-added tax ("VAT") recoverable	**156,006**	132,156
Deposits and prepayments	**59,508**	64,536
Other receivables	**77,803**	91,488
	342,352	314,116

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

14. CASH AND CASH EQUIVALENTS

	30 June 2022 $'000	31 December 2021 $'000
Renminbi ("RMB")	**50,812**	68,843
United States dollars ("USD")	**6,907**	8,297
Euro dollars ("EUR")	**209**	194
Other currencies	**1,985**	2,417
	59,913	79,751

At the end of the reporting period, the cash and cash equivalents of the Group denominated in RMB amounted to approximately $50,812,000 (31 December 2021: approximately $68,843,000). RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks that are authorized to conduct foreign exchange business.

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 2022 $'000	31 December 2021 $'000
Trade payables		
– Within 30 days	**51,774**	59,345
– 31 days to 90 days	**37,213**	14,592
– 91 days to 180 days	**4,915**	38,135
– Over 180 days	**8,524**	5,919
Total trade payables	**102,426**	117,991
Deposits from customers	**20,397**	9,681
Contract liabilities	**28,462**	31,223
Salary and welfare payables	**9,857**	13,648
VAT payable	**61,677**	57,306
Payables for acquisitions of property, plant and equipment	**19,653**	24,076
Provision for losses on litigations	**114,090**	119,336
Interest payables	**245,049**	236,634
Other payables and accruals	**479,697**	549,426
	1,081,308	1,159,321

16. CAPITAL, RESERVES AND DIVIDENDS

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

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: $Nil).

(b) Equity settled share-based transactions

On 25 March 2013 and 14 June 2013, 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 2022 and 2021). 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 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. 2013 March Options and 2013 June Options outstanding at 30 June 2022 had exercise price of $5.142 and $5.002 respectively.

During the six months ended 30 June 2022, no options were exercised (six months ended 30 June 2021: Nil) and 1,925,000 share options were lapsed (six months ended 30 June 2021: 5,275,000).

17. GAIN ON DECONSOLIDATION OF SUBSIDIARIES

With effect from 30 April 2021, the consolidated restructuring of 44 direct or indirect owned subsidiaries (the "Relevant Subsidiaries") of the Group has been approved as a result of the civil ruling of the court in the PRC. Thereafter, the administrator appointed by the court (the "Administrator") commenced the taking over of the Relevant Subsidiaries, which entitled the Administrator to legal and actual control over the internal and external affairs of the Relevant Subsidiaries.

At 30 April 2021, the 44 Relevant Subsidiaries directly or indirectly, wholly or non-wholly owned another 68 companies. Notwithstanding that the Administrator did not directly take over the control of these 68 companies (the "Non-Taken-Over Subsidiaries"), the Directors of the Company consider that the Group has lost its control over the 44 Relevant Subsidiaries and the 68 Non-Taken-Over Subsidiaries (these 112 companies in total are collectively referred to as the "Restructuring Companies"), in view of the fact that the Non-Taken-Over Subsidiaries are considered as affairs of the Relevant Subsidiaries, the Group has lost its power over the Restructuring Companies as well as the exposure, or rights, to variable returns from involvement with the Restructuring Companies since the date of approval of the consolidated restructuring.

Accordingly, the financial statements of the Restructuring Companies have ceased to be consolidated in the consolidated financial statements of the Company with effect from 30 April 2021. The consolidated restructuring plan was approved at the creditors' meeting on 28 January 2022 and was adjudicated effective by the court in the PRC on the same date.

17. GAIN ON DECONSOLIDATION OF SUBSIDIARIES (CONTINUED)

The net liabilities deconsolidated were as follows:

	Nanjing Yurun Group (note i) $'000	Others (note ii) $'000	Total $'000
Property, plant and equipment	2,893,644	400,779	
Investment properties	208,394	–	
Lease prepayments	811,034	58,403	
Intangible assets	60	–	
Non-current prepayments and other receivables	608,574	86,063	
Inventories	410,113	204,111	
Trade and other receivables	2,136,641	291,729	
Income tax recoverable	950	1,161	
Cash and cash equivalents	138,096	8,624	
Bank and other borrowings	(5,248,081)	(1,457,036)	
Trade and other payables	(4,856,188)	(1,076,773)	
Income tax payables	(5,230)	(886)	
Lease liabilities	–	(30,157)	
Total net liabilities deconsolidated	(2,901,993)	(1,513,982)	(4,415,975)
Non-controlling interests disposed			(60,410)
Non-controlling interests arising from deconsolidation			99,096
Exchange reserve reclassified to profit or loss upon deconsolidation			(320,886)
Current accounts with deconsolidated subsidiaries			1,206,869
Gain on deconsolidation of subsidiaries			(3,491,306)
Net cash outflow arising on deconsolidation of subsidiaries			
Cash and cash equivalents deconsolidated of			146,720

Notes:

(i) Nanjing Yurun Group represents 南京雨潤食品有限公司 (transliteral as Nanjing Yurun Food Co., Ltd.) and its subsidiaries.

(ii) Others represent the remaining Restructuring Companies other than those included in Nanjing Yurun Group.

18. 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 2022 and 31 December 2021.

19. CAPITAL COMMITMENTS OUTSTANDING NOT PROVIDED FOR IN THE INTERIM FINANCIAL REPORT

	30 June 2022 $'000	31 December 2021 $'000
Contracted for	**308,513**	333,311

20. CONTINGENT LIABILITIES

As at the end of the reporting period, except as disclosed in note 7(a), the Group did not involve 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 30 June 2022, 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.

21. RELATED PARTY TRANSACTIONS AND BALANCES

During the six months ended 30 June 2022 and 2021, in addition to the transactions and balances disclosed elsewhere in this interim financial report, the Group had the following material related party transactions and balances:

(a) Significant related party transactions

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

	Six months ended 30 June	
	2022 $'000	2021 $'000
Sales of raw materials to related companies (note 21(a)(iv))	**1,202**	311
Sales of finished goods to related companies (note 21(a)(iv))	**147,149**	2,220
Purchases of raw materials from related companies (note 21(a)(iv))	**7,131**	46,828
Purchases of finished goods from related parties (note 21(a)(iv))	**83**	2,703

(ii) The Group leased certain property, plant and equipment and land use rights owned by the related parties (note 21(a)(iv)). The rental paid or payable to the related parties for the six months ended 30 June 2022 amounted to $583,000 (six months ended 30 June 2021: $1,846,000).

(iii) Certain related parties (note 21(a)(iv)) made available their properties and land use rights with a total carrying value of $43,935,000 (31 December 2021: $46,396,000) as at 30 June 2022 to the Group. No rental is paid or payable by any of the group companies.

(iv) Mr. Zhu Yicai ("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.

(v) A subsidiary of the Company entered into the products consignment agreement with a related company, consignment fee expense of $Nil was paid for the six months ended 30 June 2022 (six months ended 30 June 2021: $5,663,000). The related company is owned by Mr. Zhu. Ms. Zhu Yuan ("Ms. Zhu"), an executive director of the Company, is also a director of the related company.

21. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(b) Amounts due from related parties

	30 June 2022 $'000	31 December 2021 $'000
Trade receivables due from related parties (note 21(a)(iv))	**170,658**	5,607
Other receivables due from related parties (note 21(a)(iv))	**84,404**	175

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 2022 $'000	31 December 2021 $'000
Trade payables due to related parties (note 21(a)(iv))	**121,370**	15,246
Other payables due to related parties (notes 21(a)(iv) and 21(c)(i))	**28,151**	3,808

(i) Certain related companies settled certain payables on behalf of the Group for the six months ended 30 June 2022.

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	
	2022 $'000	2021 $'000
Salaries and other emoluments	**1,623**	1,267
Contributions to retirement benefit schemes	**26**	4
	1,649	1,271