



中糧
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中國糧油控股有限公司
CHINA AGRI-INDUSTRIES HOLDINGS LIMITED
Stock Code 股份代號: 606



ENHANCE COMPETITIVENESS 專注競爭力

2015 INTERIM REPORT
中期業績報告



2015
INTERIM REPORT
中期業績報告

Enhance
Competitiveness
專注競爭力



Oilseeds processing business



Biochemical and biofuel business



Rice processing and trading business



Wheat processing business



Brewing materials business

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CORPORATE INFORMATION

Directors

*Chairman of the Board and
Non-executive Director*

YU Xubo¹

Executive Directors

YUE Guojun (Managing Director)

SHI Bo

Non-executive Directors

NING Gaoning

CHI Jingtao²

MA Wangjun

Independent Non-executive Directors

LAM Wai Hon, Ambrose

Victor YANG³

Patrick Vincent VIZZONE

ONG Teck Chye

Audit Committee

LAM Wai Hon, Ambrose (Chairman)

Victor YANG³

Patrick Vincent VIZZONE

ONG Teck Chye

CHI Jingtao⁴

MA Wangjun

Remuneration Committee

Victor YANG (Chairman)³

CHI Jingtao⁵

MA Wangjun

LAM Wai Hon, Ambrose

Patrick Vincent VIZZONE⁶

ONG Teck Chye

Nomination Committee

YU Xubo (Chairman)⁷

CHI Jingtao⁸

LAM Wai Hon, Ambrose

Victor YANG³

Patrick Vincent VIZZONE

ONG Teck Chye

Executive Committee

YUE Guojun (Chairman)

SHI Bo

Qualified Accountant

CHAN Ka Lai, Vanessa

Company Secretary

LOOK Pui Fan

Auditors

Ernst & Young

Certified Public Accountants

Legal Advisor

Herbert Smith Freehills LLP

Registered Office

31st Floor, Top Glory Tower

262 Gloucester Road

Causeway Bay, Hong Kong

Share Registrar and Transfer Office

Tricor Progressive Limited

Level 22, Hopewell Centre

183 Queen's Road East

Hong Kong

Principal Bankers

Agricultural Bank of China Limited

**Agricultural Development Bank of
China**

**Australia and New Zealand Banking
Group Limited**

Banco Santander, S.A.

Bank of China Limited

Bank of China (Hong Kong) Limited

**China Construction Bank (Asia)
Corporation Limited**

Deutsche Bank

National Australia Bank Limited

**Rabobank International
(Hong Kong Branch)**

**Societe Generale Corporate and
Investment Banking**

**The Sumitomo Trust & Banking
Company Limited**

Westpac Banking Corporation

Investor Relations

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Stock Code

606

Effective immediately after the conclusion of the Board meeting held on 26 August 2015,

¹ ceased to be the Chairman of the Board

² appointed as the Chairman of the Board

³ resigned from the Board and ceased to be the Chairman/
member of any Board committees

⁴ ceased to be a member of the Audit Committee

⁵ ceased to be a member of the Remuneration Committee

⁶ appointed as the Chairman of the Remuneration Committee

⁷ ceased to be the Chairman and a member of the Nomination
Committee

⁸ appointed as the Chairman of the Nomination Committee

FINANCIAL HIGHLIGHTS

For the six months ended 30 June 2015

	Unit	For the period ended 30 June		Increase/ (Decrease)
		2015	2014	
Revenue:	HK\$ million	39,207.7	44,964.5	(13%)
– Oilseeds processing	HK\$ million	19,063.6	26,769.2	(29%)
– Biochemical and biofuel	HK\$ million	8,154.4	8,065.5	1%
– Rice processing and trading	HK\$ million	4,545.1	2,887.9	57%
– Wheat processing	HK\$ million	4,017.8	4,189.6	(4%)
– Brewing materials	HK\$ million	1,455.7	1,571.3	(7%)
– Corporate and others	HK\$ million	1,971.1	1,481.0	33%
Loss before tax	HK\$ million	(148.9)	(467.4)	(68%)
Operating loss (segment results)	HK\$ million	(6.9)	(558.4)	(99%)
Operating profit before depreciation and amortisation	HK\$ million	859.7	267.7	221%
Operating margin	%	(0.0)	(1.2)	N/A
Loss attributable to owners of the Company	HK\$ million	(269.2)	(290.2)	(7%)
Loss per share:				
– Basic	HK cents	(5.13)	(5.53)	(7%)
– Diluted	HK cents	(5.13)	(5.53)	(7%)
Interim dividend per share	HK cents	–	–	N/A
Closing price per share at period-end	HK\$	4.42	2.95	50%
Market capitalisation at period-end	HK\$ million	23,204.5	15,487.1	50%
Net gearing ratio at period-end	%	72.2	74.3	N/A

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Oilseeds Processing Business

China Agri-Industries Holdings Limited (“China Agri” or the “Company”) is one of the largest vegetable oil and oilseed meal producers in China. Its products include soybean oil, palm oil, rapeseed oil and oilseed meals, which are sold under the brand names “Fuzhanggui” (福掌柜), “Sihai” (四海), “Xiyingying” (喜盈盈) and “Guhua” (谷花).



In the first half of 2015, the domestic soybean processing industry saw an overall recovery. International soybean prices declined due to a bumper harvest in South America and large planting acreage in the United States. Domestic soybean meal futures prices fell in tandem with the downtrend in the global raw materials market. Spot prices suffered more than futures prices as a result of sluggish demand for animal feeds in the downstream industry. Meanwhile, stockpiles of vegetable oils decreased, leading to rising prices since the beginning of the year.

During the period under review, market fluctuation and oversupply challenged the profitability of the whole oilseeds processing industry. Although currency risk management became harder given the complexity and volatility of global financial markets, business operations remained stable and losses narrowed significantly. Sales of oilseed meals and vegetable oil decreased slightly to 2,911,000 metric tons and 1,266,000 metric tons, respectively. As a result of a considerable decline in product prices, the business reported a year-on-year decrease of 28.8% in revenue to HK\$19,063.6 million. In terms of management, the oilseeds processing business developed professional management platforms based on the specific roles and functions of different processing plants,

helping to improve efficiency and cooperation across procurement, production, and sales. Some regional sales platforms were also created to help expand markets, improve customer service and optimise product mix. With strong logistics and warehouses networks close to major markets, the Company strengthened its market leading position.

As of 30 June 2015, the Company operated a total of seventeen oilseeds-processing plants in Jiangsu, Shandong, Guangxi, Tianjin, Hubei, Guangdong, Liaoning, Jiangxi, Anhui, Chongqing, and Xinjiang. The plants had a combined annual crushing capacity of 11,730,000 metric tons and a combined refining capacity of 4,510,000 metric tons, making a leading position in the industry.

In the second half of 2015, soybeans are expected to be in abundant supply in the international market with short term weather conditions in North America and worldwide demand being closely monitored. Strong pork prices may encourage restocking of hog herd and lead to a stronger demand for soybean meal. The Company will use its acumen in market intelligence and formulate different strategies to improve its bottom-line. Meanwhile it will strive to further improve its business model by upgrading products mix and technology.

Biochemical and Biofuel Business

The Company is one of major corn processors in China. Biochemical business produces cornstarch, sweeteners (including maltodextrin, fructose syrup, maltose syrup and other sweeteners), monosodium glutamate (MSG), crude corn oil, and feed ingredients. Biofuel products include fuel ethanol, anhydrous ethanol, consumable alcohol, crude corn oil and distiller's dried grains with solubles (DDGS), using corn and tapioca as raw materials.



In the first half of 2015, China Agri's biochemical and biofuel revenues totalled HK\$8,154.4 million, almost equal to the revenue for first half of 2014. The segment's gross profit margin was 8.2%, a decrease year-on-year.

Biochemical Business

In the beginning of 2015, government's corn stockpiling hit new records in northeast China, leading to a significant increase of raw material

costs compared with the same period last year. However, from the second quarter, corn prices started to decline due to a slow auction pace, weaker demand from the downstream industry, imports of low-cost corn, as well as the impact of other imported grain as substitutes. Heilongjiang and Jilin provinces both introduced subsidy policies, which were in favour of the corn processing sector. These factors effectively eased costs pressures for the industry.

During the period under review, the overall operations of the Company's biochemical business remained stable, and performance of the business improved with support from the government's subsidy policies. The Company expanded sweeteners business with key customers, which helped to drive 31.5% year-on-year increase in sales volume to 422,000 metric tons. Due to the improved business climate and reduced competition, sales volume of MSG increased by 20.8% year-on-year to 54,000 metric tons. Breakthroughs in technology cut the production cost of MSG, improving profitability. In addition, the Company used its advantage of geographic footprint to participate in the temporary corn reserve scheme, which earned storage fees and production subsidies. Such income eased cost pressures and helped to strengthen the Company's leading position in the industry.

As of 30 June 2015, the Company had a total of eight factories located in Jilin, Heilongjiang, Shanghai, Hubei, Hebei and Sichuan, with an annual corn processing capacity of 2,450,000 metric tons and an annual sweetener production capacity of 1,040,000 metric tons. The Company's MSG facility has annual production capacity of 100,000 metric tons.

Looking ahead to the second half of 2015, the pace and scale of the auctions of government's temporary corn reserves will be the major factors affecting feedstock prices. The Company's biochemical division will make full use of market and policy opportunities to maintain a stable operation. By upgrading products and technology as a benchmark for the industry, China Agri will help to improve the cost structure and avoid irrational competition amid overcapacity so as to promote healthy development of the industry.

Biofuel Business

During the first half of 2015, international crude oil prices remained low due to oversupply, causing domestic fuel ethanol prices to drop significantly compared with the same period last year. Corn prices remained relatively firm due to support from a price floor imposed by the government for its national corn reserves. As a result, profit margin for fuel ethanol narrowed sharply with a big hit on the biofuel industry.

In response to this challenge, the Company initiated crisis communications between ethanol producers and the government. The industry urged the authorities to introduce support policies to mitigate industry-wide pressure on profitability. In northeast China, subsidies were given to companies processing corns from the national reserves auction. In addition, the Company adopted measures to improve operational efficiency and reduce costs as well as strictly control expenses which partially offset the impact of falling product prices.

As of 30 June 2015, the Company had one factory in Heilongjiang and one factory in Guangxi. The combined production capacity of the two factories was 600,000 metric tons of fuel ethanol, anhydrous ethanol and consumable alcohol.

Looking forward to the second half of 2015, international crude oil prices are expected to remain weak and fluctuating. The Company will continue to strengthen its position to cope with the challenges by participating in the government's temporary corn reserve storages and auctions for extra income, and making use of subsidies policy to ease cost pressures. Meanwhile by advising the government to promote clean energy and developing cellulosic ethanol business, China Agri will reinforce its position as an industry leader.

Rice Processing and Trading Business

The Company is a leading packaged rice supplier and the largest rice exporter and importer in China. Its packaged rice products are primarily sold under the brands “Fortune” (福临门), “Five Lakes” (五湖) and “Jinying” (金盈). The key markets for its international trading business include Japan, South Korea, Hong Kong and Macau.



During the period under review, a continuous rich paddy harvest created ample domestic supply in China. For the first time, the floor price imposed by government for new crop was not raised, which weakened the price rise anticipation. As the government raised paddy reserve volume on a year-on-year basis, its purchasing schedule and pace were the major drivers affecting paddy price. Domestically, the slower macro-economic growth rate put some restraint on demand. With no significant increase of consumption volume, rice prices remained stable.

In the first half of 2015, total revenues from the rice processing and trading business increased by 57.4% year-on-year to HK\$4,545.1 million. Overall gross profit margin was 7.6%, an increase of 0.4 percentage point year-on-year, which further improved the operating performance. The small packaged rice business experienced steady volume growth. With increased sales of high-margin branded rice, the optimised products mix strengthened the Company's premium pricing power. Domestic sales increased by 34.1% year-on-year to 621,000 metric tons while export sales recorded 69,000 metric tons, increasing both business scale and profitability.

The Company's rice business achieved its objectives of sales network development for increasing sales volume. By improving its internal operations and supply chain management, the Company strengthened its market position. According to Nielsen NV, the Company's market share of small packaged rice was 17.4% in terms of sales volume, making China Agri one of the top suppliers to the domestic market. The data was based on rice sold in hypermarkets in 13 major cities in China from January to June of 2015. In addition, the Company also used its geographic footprint to secure material supply and participate in the government paddy reserve auctions. Cost pressure was eased by the extra income from these activities.

As of 30 June 2015, the Company operated seventeen rice-processing plants located in Heilongjiang, Liaoning, Jiangsu, Jilin, Jiangxi, Anhui, Ningxia, Sichuan, Hubei and Hunan, with a combined annual production capacity of 2,445,000 metric tons.

In the second half of 2015, paddy and products markets are expected to remain stable. The Company will strive for better performance by further improving its operational efficiency. It will continue to focus on brand building, network development and product mix optimisation. Given its advantages in the import and export business, the Company will make full use of every opportunity to support its domestic business and improve its overall business performance.



China Agri is one of the leading wheat processors in China. Its products include general-purpose flour, special-purpose flour, noodles, and bread products, which are primarily sold under the brand names “Xiangxue” (香雪) and “Fortune” (福临门).

Wheat Processing Business

During the first half of 2015, the domestic wheat processing industry faced severe challenges. In spite of ample supply, wheat prices in China remained at high levels due to government's grain reserve policy. Bran prices declined dramatically due to weak demand for animal feeds and the impact of imported grains as substitutes. Competition intensified as a result of sluggish downstream consumption and industry overcapacity. All of these issues restricted flour and noodles prices and put pressures on the profit margin of the wheat processing industry.

Given the unfavourable industry climate, the Company focused on the cooperation with key customers and improving customer services to defend its special-purpose flour market share. Meanwhile, the Company started to expand sales channels for small packaged products in major cities of China as its future profit engine. During the period under review, the wheat processing business reported total revenue of HK\$4,017.8 million which was slightly lower than in the same period last year. The sales volume of flour and noodles reached 824,000 metric tons and 50,000 metric tons, respectively. With the impact of the plunge in bran prices, the segment's gross margin declined which resulted in operational losses.

As of 30 June 2015, the Company operated thirteen plants located in Henan, Zhejiang, Hebei, Jiangsu, Liaoning, Sichuan, Fujian, Shandong and Beijing, with total annual processing capacity of 3,451,000 metric tons of wheat, 195,000 metric tons of noodles and around 2,000 metric tons of bread products.

Over the second half of 2015, industry competition is expected to intensify continuously. The wheat processing business will still face challenges from high raw material prices and weak product demand. The Company will develop its low-cost competitive edge to deal with the ongoing industry headwind and maintain stable performance. It will also place more emphasis on developing branded business to retain its industry leadership for the long term.

Brewing Materials Business

The Company is a leading supplier of brewing materials in China. It is engaged in the production and sales of mid-to-high-end malt for domestic market and other Asian countries and regions.



During the first half of 2015, an abundant world supplies of barley exerted pressure on prices. However, Australia's barley prices remained high due to strong demand from China. In terms of product demand, beer consumption declined slightly due to previous high base and weather impacts. While consolidation in the beer industry has been progressing, it has become increasingly important to retain key customers which have higher standard for quality malt.

The Company kept ahead in operations and management of the industry. During the first half of 2015, the global raw material market became ever more complex and volatile. In order to manage market risks, the brewing materials business used its overseas trade network to track production, prices and trade flows. Market information systems were also improved to address the consumption stagnation and structural adjustment of products. By tracking changes in customer demand on a timely basis and providing customised value-added services, the Company was able to improve satisfaction of key customers. At the same time, the Company continued to use its edge in supply chain management to produce stable quality product, which strengthened its pricing power for extra premium. Though overall sales decreased 9.3% to 352,000 metric tons, capacity utilisation rate and profit margin remained at historically high levels.

As of 30 June 2015, the combined annual processing capacity of the Company's three malt-processing plants in Liaoning, Jiangsu and Inner Mongolia was 740,000 metric tons. The plants in Liaoning and Jiangsu are close to coastal ports. The location advantage made it possible to easily receive imported raw materials and meet the demand for mid- and high-end malt products from the surrounding market.

Looking ahead to the second half of 2015, the Company will continue to increase sales volume by enhancing relationships with key customers and tapping into customer needs. Given the superior capability of its supply chain management and manufacturing technology, the brewing materials business will pay close attention to the changing demand in the downstream market, and take advantage of opportunities to further expand the mid-to-high-end beer market. Such measures will help further improve product quality and premium pricing power, as well as strengthen the Company's leading position in the industry.

FINANCIAL REVIEW

Overview of Financial Results for the Six Months Ended 30 June 2015

Revenue

	Six months ended 30 June	
	2015 HK\$ million	2014 HK\$ million
Business units:		
Oilseeds processing	19,063.6	26,769.2
Biochemical and biofuel	8,154.4	8,065.5
Rice processing and trading	4,545.1	2,887.9
Wheat processing	4,017.8	4,189.6
Brewing materials	1,455.7	1,571.3
Corporate and others	1,971.1	1,481.0
	39,207.7	44,964.5

For the six months ended 30 June 2015, total revenue of the Group decreased 12.8% to HK\$39,207.7 million from a year earlier due to decline in selling prices of its major products, in particular fuel ethanol, edible oils and soybean meal.

Gross Profit and Gross Profit Margin

The Group recorded a gross profit of HK\$2,256.2 million during the period (six months ended 30 June 2014: HK\$1,680.4 million). The overall gross profit margin increased 2.1 percentage points to 5.8% from the year-earlier period. The gross profit and gross profit margin of oilseeds processing business rose significantly year-on-year due to improvement in industry crushing margin which helped raise the profitability of its products. The biochemical and biofuel business was impacted by the slump in selling prices of fuel ethanol, resulting in lower gross profit as compared to the same period last year. For the rice processing and trading business, the increases in gross profit and gross profit margin were driven by steady growth in domestic sales and continuing optimisation of product portfolio. The gross profit margin of wheat processing business remained at a relatively low level due to the adverse impact of rapid decline in bran prices during the period. Brewing materials business continued to make prominent contribution to higher amount of gross profit and enhance its gross profit margin.

Other Income and Gains

During the period, other income and gains of the Group dropped HK\$146.1 million year-on-year to HK\$553.6 million. The Group actively reduced the size of funds which lowered the amount of interest income.

Selling and Distribution Expenses

For the six months ended 30 June 2015, selling and distribution expenses were HK\$1,397.5 million, down 6.0% year-on-year. The decline in sales volume of edible oils and soybean meal drove down the logistic costs, such as transportation costs.

Administrative Expenses

During the period, administrative expenses were HK\$942.1 million (six months ended 30 June 2014: HK\$796.9 million). Administrative expenses increased as a result of rise in research and development costs and employee compensation expenses.

Finance Costs

During the period, overall average bank borrowings of the Group decreased. However, finance costs rose 12.5% to HK\$337.2 million from a year earlier as the proportion of low-cost borrowings decreased year-on-year. An analysis of the finance costs by category is as follows:

	Six months ended 30 June	
	2015 HK\$ million	2014 HK\$ million
Interest on:		
Bank loans wholly repayable within five years	271.0	259.3
Bank loans wholly repayable over five years	13.8	18.6
Loans from fellow subsidiaries wholly repayable within five years	25.6	5.5
Loan from an intermediate holding company wholly repayable within five years	–	1.4
Loan from the ultimate holding company wholly repayable within five years	11.3	–
Convertible bonds	17.0	16.7
Total interest expenses on financial liabilities not at fair value through profit or loss	338.7	301.5
Less: Interest capitalised	(1.5)	(1.8)
	337.2	299.7

Income Tax Expense

For the six months ended 30 June 2015, income tax expense of the Group fell 43.7% to HK\$73.4 million due to decrease in pre-tax profit of biochemical and biofuel segment.

Loss Attributable to Owners of the Company

During the period, the Group recorded a loss attributable to owners of the Company of HK\$269.2 million, a decrease of 7.2% from the same period last year. The oilseeds processing business and rice processing and trading business achieved reduction in losses during the period. However, the prominent impact of slump in gasoline prices for biochemical and biofuel business had exerted pressure on the overall performance of the Group.

Interim Dividend

The Board does not declare the payment of an interim dividend for the six months ended 30 June 2015 (six months ended 30 June 2014: Nil).

Significant Investments Held and Material Acquisitions and Disposals of Subsidiaries

Save as disclosed in this report, the Group did not have any other significant investments held nor any material acquisitions and disposals of subsidiaries during the period.

Working Capital and Financial Policy

The Group closely monitors the liquidity of funding and the availability of financial resources to ensure that cash inflows generated from operating activities together with undrawn banking facilities are sufficient to meet the demands required for day-to-day operations, loan repayments, capital expenditure and potential business expansion opportunities. During the period, the Group's operations were financed primarily by accumulated surplus and bank borrowings.

The Group entered into the financial services agreement with COFCO Finance Co., Ltd. through COFCO Agri-Industries Management Co., Ltd. (a subsidiary of the Company) for the purpose of achieving more efficient deployment and application of funds within the Group so as to reduce the average borrowing costs and better facilitate intra-Group settlement services. During the period, the Group enhanced the liquidity of funds, reduced finance costs and effectively monitored the use of funds through this treasury platform.

On 29 July 2015, pursuant to the terms and conditions of the 1.00% HK\$ Fixed Rate Guaranteed Convertible Bonds Due 2015, a total amount of HK\$1,275.6 million was paid by Glory River Holdings Limited (a wholly-owned subsidiary of the Company) to redeem all outstanding convertible bonds in full with the principal amount of HK\$1,206.5 million together with accrued and unpaid interest thereon. The redemption price of the convertible bonds was equal to its aggregate principal amount of HK\$1,206.5 million multiplied by 105.231%. Following the redemption, the convertible bonds were cancelled. Glory River Holdings Limited and the Company were discharged from all of their respective obligations under and in respect of the convertible bonds.

By closely monitoring its exposures to fluctuation in commodity prices, the Group enters into appropriate amount of the commodity futures contracts to timely hedge its risks associated with price fluctuations in raw material purchases or sales of the related products.

Cash and Bank Deposits

The cash and bank deposits (including restricted cash at bank) of the Group were HK\$11,541.8 million as at 30 June 2015 (31 December 2014: HK\$12,578.5 million). During the period, the Group recorded net cash inflow from operations of approximately HK\$1,433.0 million (year ended 31 December 2014: HK\$1,778.8 million). These liquid funds were mainly denominated in Hong Kong dollars, Renminbi and United States dollars.

Bank Loans and Other Borrowings

The total interest-bearing bank loans and other borrowings (including the liability component of convertible bonds) amounted to HK\$31,653.8 million (31 December 2014: HK\$31,635.8 million) as at 30 June 2015. The borrowings were mainly used for the daily operation and business expansion of the Group. These loans are repayable within the following periods:

	30 June 2015 HK\$ million	31 December 2014 HK\$ million
Within one year or on demand	29,714.8	30,588.4
In the second year	156.4	513.3
In the third to fifth years, inclusive	1,782.6	182.3
Beyond five years	–	351.8
	31,653.8	31,635.8

The interest-bearing bank loans carried annual interest rates ranging between 0.53% and 6.55% (31 December 2014: between 0.95% and 6.55%). Other borrowings (including the liability component of convertible bonds) carried annual interest rates ranging between 0.79% and 5.60% (31 December 2014: between 1.16% and 5.60%). These interest-bearing bank loans and other borrowings were mainly denominated in Hong Kong dollars, Renminbi and United States dollars.

As at 30 June 2015, the Group has pledged assets, including property, plant and equipment and land use rights, with an aggregate carrying value of HK\$726.8 million (31 December 2014: HK\$593.1 million) to secure bank loans and banking facilities of the Group.

The Group had no unutilised committed banking facilities as at 30 June 2015 (31 December 2014: HK\$620.2 million). The Group will continue to obtain financing on an unsecured basis whenever possible and supplement such borrowings with secured financing.

Financial Ratios

The Group's financial ratios at 30 June 2015 and 31 December 2014 are set out below:

	30 June 2015	31 December 2014
Net gearing ratio (the ratio of net debts to shareholders' equity)	72.2%	67.9%
Liquidity ratio (the ratio of current assets to current liabilities)	1.08	1.05
Quick ratio (the ratio of current assets less inventories to current liabilities)	0.64	0.62

Net debt represents the Group's total interest-bearing bank loans and other borrowings (including the liability component of convertible bonds) less cash and cash equivalents and restricted cash at bank. Therefore, the net debt of the Group was HK\$20,112.0 million at 30 June 2015 (31 December 2014: HK\$19,057.3 million).

Capital Expenditures

The total capital expenditures of the Group for the period ended 30 June 2015 are tabulated below:

	Six months ended 30 June	
	2015 HK\$ million	2014 HK\$ million
Business units:		
Oilseeds processing	314.9	879.7
Biochemical and biofuel	117.2	123.2
Rice processing and trading	47.5	115.1
Wheat processing	22.6	36.2
Brewing materials	1.2	15.5
Corporate and others	43.4	42.9
	546.8	1,212.6

Capital Commitments

Capital commitments outstanding and not provided for in the Group's condensed consolidated interim financial information as at 30 June 2015 are set out below. These commitments are to be financed by loans and working capital of the Group.

	30 June 2015 HK\$ million	31 December 2014 HK\$ million
Capital commitments in respect of property, plant and equipment:		
Authorised, but not contracted for	2,168.1	2,512.7
Contracted, but not provided for	460.8	360.3
	2,628.9	2,873.0

HUMAN RESOURCES

The Group employed 28,694 (31 December 2014: 29,643) staff as at 30 June 2015. The Group's employees are remunerated according to job nature, individual performance and market trends with built-in merit components. Total remuneration (including directors' and chief executive's remuneration) for the period ended 30 June 2015 amounted to approximately HK\$1,120.2 million (six months ended 30 June 2014: HK\$965.2 million). Employees in Hong Kong receive retirement benefits, mostly in form of a Mandatory Provident Fund entitlement, and a similar benefit scheme is offered to employees in Mainland China. Of the total remuneration, pension scheme contribution amounted to HK\$118.8 million (six months ended 30 June 2014: HK\$110.2 million) for the period.

The Group adopted a share option scheme on 12 January 2007 to attract, retain and motivate senior management personnel and key employees, and provide eligible participants with an opportunity to acquire equity interests in the Company and to encourage them to work towards enhancing the value of the Company and its shares.

Besides, the Group also encourages employees' participation in continuing training programmes, seminars and e-learning courses, through which their career, knowledge and technical skills can be enhanced with the development of individual potentials.

OUTLOOK

In the second half of 2015, there is a norm that economic growth in China is expected to slowdown and the growth in demand for agricultural products will be curbed. The Group will continue to strive for organic growth as its driver through benchmarking management practice. It is committed to enhancing the core competitiveness of its products and promoting gradual improvements based on detailed-oriented management and a low-cost system building up. Meanwhile, the Group will strengthen its marketing research and analysis and effectively manage its procurement costs in a bid to continually improve its operating results.

Hong Kong, 26 August 2015

CORPORATE GOVERNANCE AND OTHER INFORMATION

Share Option Scheme

Details of the movements in the share options, during the period are set out below:

Category of participants	Date of grant (d-m-yyyy)	Exercise price per share (HK\$)	Vesting date (d-m-yyyy)	Exercise period (d-m-yyyy)	Number of share options			At 30 June 2015
					At 1 January 2015	Exercised	Lapsed	
(A) Directors								
NING Gaoning	31-3-2011	8,220	31-3-2013	31-3-2013 to 30-3-2018	127,200	-	-	127,200
			31-3-2014	31-3-2014 to 30-3-2018	127,200	-	-	127,200
			31-3-2015	31-3-2015 to 30-3-2018	127,200	-	-	127,200
			31-3-2016	31-3-2016 to 30-3-2018	127,200	-	-	127,200
			31-3-2017	31-3-2017 to 30-3-2018	127,200	-	-	127,200
					636,000	-	-	636,000
YU Xubo	31-3-2011	8,220	31-3-2013	31-3-2013 to 30-3-2018	127,200	-	-	127,200
			31-3-2014	31-3-2014 to 30-3-2018	127,200	-	-	127,200
			31-3-2015	31-3-2015 to 30-3-2018	127,200	-	-	127,200
			31-3-2016	31-3-2016 to 30-3-2018	127,200	-	-	127,200
			31-3-2017	31-3-2017 to 30-3-2018	127,200	-	-	127,200
					636,000	-	-	636,000
YUE Guojun	31-3-2011	8,220	31-3-2013	31-3-2013 to 30-3-2018	116,600	-	-	116,600
			31-3-2014	31-3-2014 to 30-3-2018	116,600	-	-	116,600
			31-3-2015	31-3-2015 to 30-3-2018	116,600	-	-	116,600
			31-3-2016	31-3-2016 to 30-3-2018	116,600	-	-	116,600
			31-3-2017	31-3-2017 to 30-3-2018	116,600	-	-	116,600
					583,000	-	-	583,000
MA Wangjun	31-3-2011	8,220	31-3-2013	31-3-2013 to 30-3-2018	116,600	-	-	116,600
			31-3-2014	31-3-2014 to 30-3-2018	116,600	-	-	116,600
			31-3-2015	31-3-2015 to 30-3-2018	116,600	-	-	116,600
			31-3-2016	31-3-2016 to 30-3-2018	116,600	-	-	116,600
			31-3-2017	31-3-2017 to 30-3-2018	116,600	-	-	116,600
					583,000	-	-	583,000

Category of participants	Date of grant (d-m-yyyy)	Exercise price per share (HK\$)	Vesting date (d-m-yyyy)	Exercise period (d-m-yyyy)	Number of share options			
					At 1 January 2015	Exercised	Lapsed	At 30 June 2015
SHI Bo	31-3-2011	8.220	31-3-2013	31-3-2013 to 30-3-2018	106,000	-	-	106,000
			31-3-2014	31-3-2014 to 30-3-2018	106,000	-	-	106,000
			31-3-2015	31-3-2015 to 30-3-2018	106,000	-	-	106,000
			31-3-2016	31-3-2016 to 30-3-2018	106,000	-	-	106,000
			31-3-2017	31-3-2017 to 30-3-2018	106,000	-	-	106,000
					530,000	-	-	530,000
(B) Employees	31-3-2011	8.220	31-3-2013	31-3-2013 to 30-3-2018	8,161,200	-	63,600	8,097,600
			31-3-2014	31-3-2014 to 30-3-2018	8,161,200	-	63,600	8,097,600
			31-3-2015	31-3-2015 to 30-3-2018	8,097,600	-	-	8,097,600
			31-3-2016	31-3-2016 to 30-3-2018	8,097,600	-	42,400	8,055,200
			31-3-2017	31-3-2017 to 30-3-2018	8,097,600	-	42,400	8,055,200
					40,615,200	-	212,000	40,403,200
Total					43,583,200	-	212,000	43,371,200

Note:

As a result of the completion of the rights issue in December 2012, the number of outstanding share options granted and the exercise prices thereof have been adjusted with effect from 28 March 2013.

Additional information in relation to the share option scheme is set out in note 16 to the unaudited condensed consolidated interim financial information.

Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 30 June 2015, the interests and short positions of the Directors in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO), or which were recorded in the register kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the 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 (the "Listing Rules") (together, "Discloseable Interests") were as follows:

Interests in the Shares and Underlying Shares of the Company

Name	Capacity	Number of shares held in long position	Number of underlying shares held in long position ^(Note 1)	Percentage ^(Note 2)
NING Gaoning	Beneficial owner	–	636,000	0.01%
YU Xubo	Beneficial owner and interest of spouse ^(Note 3)	235,364	636,000	0.02%
YUE Guojun	Beneficial owner	460,000	583,000	0.02%
MA Wangjun	Beneficial owner	–	583,000	0.01%
SHI Bo	Beneficial owner	48,000	530,000	0.01%
Patrick Vincent VIZZONE	Beneficial owner	100,000	–	0.00%

Notes:

1. These underlying shares are share options granted pursuant to the share option scheme of the Company, particulars of which are set out in the section "Share Option Scheme" above.
2. The percentage of interests is calculated based on the total number of shares of the Company in issue as at 30 June 2015, being 5,249,880,788 shares.
3. 235,364 shares were held by the spouse of Mr. Yu Xubo.

Interests in Underlying Shares of Associated Corporation

Name	Name of associated corporation	Capacity	Number of underlying shares held in long position ^(Note 1)	Percentage ^(Note 2)
NING Gaoning	China Foods Limited	Beneficial owner	740,000	0.03%
CHI Jingtao	China Foods Limited	Beneficial owner	740,000	0.03%

Notes:

1. These underlying shares are share options granted pursuant to the share option scheme of China Foods Limited. These share options were granted on 29 March 2011 at an exercise price of HK\$4.910 per share and, subject to a vesting schedule, exercisable during the period from 29 March 2013 to 28 March 2018.
2. The percentage of interests is calculated based on the total number of shares of China Foods Limited in issue as at 30 June 2015, being 2,797,223,396 shares.

Save as disclosed above, as at 30 June 2015, none of the Directors, chief executive or their respective close associates had any other Discloseable Interests.

Substantial Shareholders' Interests in Shares of the Company

As at 30 June 2015, the following persons had an interest or short position in the shares and underlying shares of the Company as recorded in the register kept by the Company under section 336 of the SFO:

Name	Capacity	Number of shares held ^(Note 1)	Percentage ^(Note 2)
Wide Smart Holdings Limited	Beneficial owner	2,499,315,430	47.61%
COFCO (BVI) No.108 Limited	Beneficial owner	182,000,000	3.47%
COFCO (Hong Kong) Limited	Beneficial owner	363,662,827	6.93%
	Interest of controlled corporations ^(Note 3)	2,681,315,430	51.07%
COFCO Corporation	Interest of controlled corporations ^(Note 4)	3,044,978,257	58.00%

Notes:

1. Long positions in the shares of the Company.
2. The percentage of interests is calculated based on the total number of shares of the Company in issue as at 30 June 2015, being 5,249,880,788 shares.
3. COFCO (Hong Kong) Limited is deemed to be interested in any shares held by Wide Smart Holdings Limited and COFCO (BVI) No.108 Limited, as it is entitled to control the exercise of or exercise one-third or more of the voting power at their general meetings.
4. COFCO Corporation is deemed to be interested in any shares held by Wide Smart Holdings Limited, COFCO (BVI) No.108 Limited and COFCO (Hong Kong) Limited, as it is entitled to control the exercise of or exercise one-third or more of the voting power at their general meetings.

Save as disclosed above, as at 30 June 2015, so far as was known to the Directors, no other persons had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register kept by the Company under section 336 of the SFO.

Purchase, Redemption or Sale of the Company's Listed Securities

During the six months ended 30 June 2015, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the listed securities of the Company.

Model Code

The Company has adopted the Model Code as the principal standards of securities transactions for Directors. Upon specific enquiries of all the Directors, each of them confirmed that they have complied with the required standards set out in the Model Code during the six months ended 30 June 2015.

The Company has also adopted a code for securities transactions by relevant employees based on the Model Code concerning dealings by the relevant employees in the securities of the Company. Relevant employees who are likely to be in possession of inside information related to the Group and its activities must comply with guidelines as exacting as those set out in the Model Code. During the first half of 2015, the Company has not received any non-compliance report from any of such employees.

Corporate Governance

The Company recognises the importance of corporate transparency and accountability. The Directors are committed to achieving a high standard of corporate governance practices and procedures and striving for a transparent and accountable management framework on enhancing the interests of shareholders. The corporate governance principles of the Company emphasise on upholding sound ethics and integrity in all aspects of its businesses, and on ensuring that affairs are conducted in accordance with applicable laws and regulations.

During the six months ended 30 June 2015, the Company has complied with all the code provisions and, where appropriate, the applicable recommended best practices set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules.

The Board acknowledges that a properly designed internal control system is one of the key elements to monitor and safeguard the resources of the Group, to produce reliable financial report for shareholders of the Company, and to enhance better corporate governance and compliance in return reduces the possibility of significant errors and irregularities by timely detection.

Directors Re-elected at the Annual General Meeting

At the annual general meeting of the Company held on 3 June 2015, the Company re-elected Mr. Ning Gaoning and Mr. Ma Wangjun as non-executive Directors, and Mr. Lam Wai Hon, Ambrose, Mr. Victor Yang and Mr. Ong Teck Chye as independent non-executive Directors. Please refer to Appendix II to the Company's circular dated 24 April 2015 for their biographies and other information.

Disclosure of Directors' Information Pursuant to Rule 13.51B(1) of the Listing Rules

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes of Directors' information since the date of the 2014 annual report is as follows:

Mr. Yu Xubo, a non-executive Director of the Company, has been appointed as a non-executive director of Noble Group Limited (a listed company in Singapore) with effect from 24 June 2015. He ceased to be the chairman of the board of directors of China Foods Limited (a listed company in Hong Kong) with effect from 26 August 2015, but remains as its non-executive director.

Review of Interim Results

The unaudited condensed consolidated interim financial information of the Company for the six months ended 30 June 2015 has been reviewed by the Audit Committee of the Company and our external auditors, Ernst & Young.

Interim Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2015.

Investor Relations

Investor relations has always been an important pillar of China Agri's corporate governance. The Company has a dedicated investor relations team to provide two-way communication between management and the investment community. It continually updates investors on the Company's latest business developments in a timely manner. The team also regularly provides management with market feedback and opinions from the investment community to improve the governance and operations of the Company.

The Company is committed to providing high quality of information disclosure and investors communication. It used a variety of investor relations activities to address investor concerns in a timely manner, including regular one-on-one meetings, conference calls and luncheons with both current and potential shareholders and analysts. In its analyst presentations and investors luncheon following the release of its results, the Company's management provided detail and colour on financial performance and business strategies. The Company's participation in large-scale investor meetings organised by international investment banks also underlined its commitment to investor communications, in order to strengthen the market's understanding of the Company's business. The Company's Annual General Meeting and other events provided opportunities to communicate face-to-face with minority shareholders, reflecting management's commitment to full and fair disclosure to all shareholders.

The Company reviewed its shareholder structure regularly, monitoring changes to the shareholder base. As of 31 July 2015, China Agri's shareholder base included institutional investors from all over the world. International investors accounted for 17.5% of the total issued shares of the Company. Within this group, Asian-based institutional investors accounted for 45.0%; institutional investors from North America accounted for 36.4%; European-based institutional investors accounted for 16.4%; and the rest of the world made up 2.2%. The Company maintained a stable and diversified shareholder base.

China Agri is a constituent of several key benchmark indices, including the Hang Seng Composite Index, the Hang Seng Composite Industry Index – Consumer Goods, the Hang Seng Composite LargeCap & MidCap Index, the Hang Seng Composite MidCap Index and the Hang Seng Corporate Sustainability Benchmark Index. During the period under review, the Company is named the “Outstanding Agriculture and Food Processing Company” at the 10th CAPITAL Outstanding China Enterprise Awards organised by CAPITAL Magazine. It reflected China Agri's commitment to sound corporate governance and active investor communications.

The Company's business is covered by numerous investment banks and financial institutions. For a complete list of analysts, please visit the Company's website at www.chinaagri.com.

UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION



BOND MARKET

Symbol	High	Low	Open	Close
AAA	102.50	102.00	102.25	102.10
AA	101.50	101.00	101.25	101.10
A	100.50	100.00	100.25	100.10
BBB	99.50	99.00	99.25	99.10

BONDS - INDEX-LINKED

04/11	4.00	104.30	96.99
06/19	4.00	101.28	105.06
07/19	6.00	103.89	113.45
03/11	5.00	104.15	102.04
03/19	4.60	101.37	104.64
02/10	5.25	103.87	107.76
01/19	4.25	108.17	103.82
01/10	3.50	106.74	104.43
01/19	3.00	112.76	110.10
01/10	4.75	107.44	107.44
01/19	5.00	0.87	2.46
01/10	0.56	3.30	4.30
01/19	2.25	-0.16	-0.14
01/10	0.87	-0.10	-0.10
01/19	2.46	-0.10	-0.10
01/10	3.30	-0.10	-0.10
01/19	4.30	-0.10	-0.10

INDEPENDENT REVIEW REPORT



To the board of directors of China Agri-Industries Holdings Limited
(Incorporated in Hong Kong with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 30 to 68 which comprises the condensed consolidated statement of financial position of China Agri-Industries Holdings Limited (the “Company”) and its subsidiaries as at 30 June 2015 and the related condensed consolidated statement of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 *Interim Financial Reporting* (“HKAS 34”).

The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express such opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Ernst & Young

Certified Public Accountants

22/F CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

26 August 2015

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2015

	Notes	For the six months ended 30 June	
		2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
REVENUE	4	39,207,689	44,964,455
Cost of sales	6	(36,951,517)	(43,284,024)
Gross profit		2,256,172	1,680,431
Other income and gains	4	553,625	699,733
Selling and distribution expenses		(1,397,481)	(1,486,027)
Administrative expenses		(942,148)	(796,905)
Other expenses		(328,181)	(296,802)
Finance costs	5	(337,159)	(299,732)
Share of profits and losses of associates		46,275	31,867
LOSS BEFORE TAX	6	(148,897)	(467,435)
Income tax expense	7	(73,369)	(130,354)
LOSS FOR THE PERIOD		(222,266)	(597,789)
Attributable to:			
Owners of the Company		(269,195)	(290,155)
Non-controlling interests		46,929	(307,634)
		(222,266)	(597,789)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	9		
Basic		(5.13) HK cents	(5.53) HK cents
Diluted		(5.13) HK cents	(5.53) HK cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2015

	For the six months ended 30 June	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
LOSS FOR THE PERIOD	(222,266)	(597,789)
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Exchange difference on translation of foreign operations	26,489	(252,224)
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods	26,489	(252,224)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(195,777)	(850,013)
Attributable to:		
Owners of the Company	(245,295)	(506,042)
Non-controlling interests	49,518	(343,971)
	(195,777)	(850,013)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2015

	Notes	30 June 2015 HK\$'000 (Unaudited)	31 December 2014 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	25,020,785	25,378,662
Prepaid land premiums		2,720,956	2,712,331
Deposits for purchases of items of property, plant and equipment		95,916	54,309
Goodwill		1,079,704	1,079,686
Investments in associates		2,198,873	2,216,150
Available-for-sale investments		380	380
Intangible assets		78,394	75,317
Deferred tax assets		1,009,276	1,108,690
Total non-current assets		32,204,284	32,625,525
CURRENT ASSETS			
Inventories		19,473,394	18,918,441
Accounts and bills receivables	11	2,985,970	2,599,980
Prepayments, deposits and other receivables		5,304,625	3,976,571
Other receivables due from Sinograin	12	5,290,789	3,117,959
Derivative financial instruments		293,840	505,621
Due from fellow subsidiaries	18	2,353,344	2,734,650
Due from related companies	18	28,445	608,482
Due from the ultimate holding company	18	1,921	323
Due from non-controlling shareholders of subsidiaries	18	141,065	73,873
Due from associates	18	266,980	397,363
Tax recoverable		169,445	170,503
Available-for-sale investments		5,706	253,527
Restricted cash at bank		143,565	27,059
Cash and cash equivalents		11,398,220	12,551,444
Total current assets		47,857,309	45,935,796

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2015

	Notes	30 June 2015 HK\$'000 (Unaudited)	31 December 2014 HK\$'000 (Audited)
CURRENT LIABILITIES			
Accounts and bills payables	13	4,586,597	5,156,712
Other payables and accruals		4,176,891	4,291,372
Deferred income		49,690	49,039
Derivative financial instruments		34,142	4,090
Interest-bearing bank and other borrowings		28,447,565	29,332,155
Bank borrowings due to ADBC	12	5,432,420	3,165,800
Convertible bonds	14	1,267,229	1,256,246
Due to fellow subsidiaries	18	136,019	104,696
Due to the ultimate holding company	18	226,463	142,660
Due to related companies	18	213	16
Due to non-controlling shareholders of subsidiaries	18	93,088	37,472
Due to associates	18	13,950	37,770
Tax payable		40,786	304,918
Total current liabilities		44,505,053	43,882,946
NET CURRENT ASSETS		3,352,256	2,052,850
TOTAL ASSETS LESS CURRENT LIABILITIES		35,556,540	34,678,375
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		1,939,038	1,047,391
Due to non-controlling shareholders of subsidiaries	18	210,191	210,161
Deferred income		835,889	812,715
Deferred tax liabilities		98,467	160,811
Other non-current liabilities		28,287	25,523
Total non-current liabilities		3,111,872	2,256,601
Net assets		32,444,668	32,421,774
EQUITY			
Equity attributable to owners of the Company			
Share capital and other statutory capital reserve	15	9,771,664	9,771,664
Other reserves		18,072,263	18,303,466
		27,843,927	28,075,130
Non-controlling interests		4,600,741	4,346,644
Total equity		32,444,668	32,421,774

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015

	Attributable to owners of the Company											
	Share capital	Capital reserve	Equity component of convertible bonds	Employee share-based compensation reserve	Reserve funds	Exchange fluctuation reserve	Retained profits	Proposed dividend	Total	Non-controlling interests	Total equity	
	Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
At 1 January 2015		9,771,664	4,887,487*	19,281*	147,386*	1,225,291*	3,334,886*	8,689,135*	-	28,075,130	4,346,644	32,421,774
Total comprehensive loss for the period		-	-	-	-	-	23,900	(269,195)	-	(245,295)	49,518	(195,777)
Transfer from retained profits		-	-	-	-	20,460	-	(20,460)	-	-	-	-
Acquisition of a subsidiary	17	-	-	-	-	-	-	-	-	-	195,681	195,681
Contribution from non-controlling shareholder		-	-	-	-	-	-	-	-	-	15,452	15,452
Acquisition of non-controlling interests		-	6,554	-	-	-	-	-	-	6,554	(6,554)	-
Equity-settled share option arrangements	16	-	-	-	7,538	-	-	-	-	7,538	-	7,538
At 30 June 2015		9,771,664	4,894,041*	19,281*	154,924*	1,245,751*	3,358,786*	8,399,480*	-	27,843,927	4,600,741	32,444,668

	Attributable to owners of the Company												
	Share capital	Share premium	Capital reserve	Equity component of convertible bonds	Employee share-based compensation reserve	Reserve funds	Exchange fluctuation reserve	Retained profits	Proposed dividend	Total	Non-controlling interests	Total equity	
	Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	
At 1 January 2014		524,988	9,246,676	4,748,958	19,281	164,023	1,161,284	3,414,846	9,487,402	215,245	28,982,703	3,749,753	32,732,456
Total comprehensive loss for the period		-	-	-	-	-	-	(215,887)	(290,155)	-	(506,042)	(343,971)	(850,013)
Transfer from retained profits		-	-	-	-	-	49,924	-	(49,924)	-	-	-	-
Transfer to share capital		9,246,676	(9,246,676)	-	-	-	-	-	-	-	-	-	-
Acquisition of a subsidiary		-	-	-	-	-	-	-	-	-	-	13,742	13,742
Contribution from non-controlling shareholder		-	-	76,888	-	-	-	-	-	-	76,888	493,551	570,439
Equity-settled share option arrangements	16	-	-	-	-	12,253	-	-	-	-	12,253	-	12,253
Dividends paid to non-controlling shareholders of subsidiaries		-	-	-	-	-	-	-	-	-	-	(12,285)	(12,285)
2013 final dividend declared		-	-	-	-	-	-	-	(215,245)	(215,245)	-	-	(215,245)
At 30 June 2014		9,771,664	-	4,825,846	19,281	176,276	1,211,208	3,198,959	9,147,323	-	28,350,557	3,900,790	32,251,347

* These reserve accounts comprise the consolidated reserves of HK\$18,072,263,000 (31 December 2014: HK\$18,303,466,000) in the condensed consolidated statement of financial position.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2015

	Notes	For the six months ended 30 June	
		2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(148,897)	(467,435)
Adjustments for:			
Finance costs	5	337,159	299,732
Write-down of inventories to net realisable value	6	258,665	380,574
Provision for loss on non-cancellable purchase commitments	6	190,248	200,535
Loss/(gain) on disposal of items of property, plant and equipment	6	485	(1,563)
Gain on disposal of items of intangible assets	4	–	(1,235)
Depreciation and amortisation	6	832,595	792,256
Recognition of prepaid land premiums	6	33,963	33,799
Share of profits and losses of associates		(46,275)	(31,867)
Interest income	4	(144,521)	(358,544)
Unrealised loss/(gain) on derivative financial instruments		(259,662)	403,520
Gain on bargain purchase	4	(4,337)	(240)
Government grants	4	(257,762)	(166,019)
Equity-settled share option expense	16	7,538	12,253
Others		11,018	(771)
		810,217	1,094,995
Increase in inventories		(700,275)	(4,199,510)
Decrease/(increase) in accounts and bills receivables		(286,347)	513,517
Increase in prepayments, deposits and other receivables		(1,103,290)	(2,407,651)
Decrease in amounts due from fellow subsidiaries		405,182	1,022,718
Decrease in amounts due from associates		130,492	1,160,528
Decrease/(increase) in amounts due from related companies		580,142	(66,993)
Decrease in derivative financial instruments		501,577	523,616
Increase in accounts and bills payables		1,310,322	998,587
Increase/(decrease) in other payables and accruals		53,020	(273,475)
Increase/(decrease) in amounts due to fellow subsidiaries		31,283	(350,991)
Increase/(decrease) in amounts due to related companies		197	(5,735)
Government grants received		136,901	114,824
Others		46,764	(66,769)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2015

	Notes	For the six months ended 30 June	
		2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Cash generated from/(used in) operations		1,916,185	(1,942,339)
Interest received		144,521	358,544
Interest paid		(326,176)	(291,481)
Income tax paid		(301,518)	(130,374)
Net cash flows from/(used in) operating activities		1,433,012	(2,005,650)
CASH FLOWS FROM INVESTING ACTIVITIES			
Increase in restricted cash at bank		(86,903)	(638,886)
Acquisition of subsidiaries	17	(184,748)	341,692
Dividends from associates		50,597	84,171
Proceeds from disposal of items of property, plant and equipment and intangible assets		11,388	112,819
Purchases of items of property, plant and equipment		(694,303)	(1,102,332)
Additions to intangible assets		(4,059)	(2,723)
Receipts of government grants		8,851	74,166
Redemption of bank wealth management products		247,864	1,430,397
Decrease in loans to a fellow subsidiary		–	890,325
Others		(16)	182,628
Net cash flows from/(used in) investing activities		(651,329)	1,372,257
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		50,415,442	52,862,275
New other loans		4,877,415	677,086
Repayments of bank loans		(50,891,440)	(46,510,872)
Repayments of other loans		(4,556,769)	(2,611,189)
Decrease in cash from discounting bank letter of credit		(1,899,635)	(1,193,762)
Others		109,242	14,858
Net cash flows from/(used in) financing activities		(1,945,745)	3,238,396
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
		(1,164,062)	2,605,003
Cash and cash equivalents at beginning of period		12,551,444	13,943,724
Effect of foreign exchange rate changes, net		10,838	(147,318)
CASH AND CASH EQUIVALENTS AT END OF PERIOD		11,398,220	16,401,409

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 June 2015

1. CORPORATE INFORMATION

China Agri-Industries Holdings Limited (the “Company”) is a limited liability company incorporated in Hong Kong. The registered office of the Company is located at 31st Floor, Top Glory Tower, 262 Gloucester Road, Causeway Bay, Hong Kong.

During the period, the Company and its subsidiaries (collectively referred to as the “Group”) were involved in the following principal activities:

- oilseeds processing;
- production and sale of biochemical and biofuel products;
- processing and trading of rice;
- wheat processing; and
- production and sale of brewing materials.

The Company is a subsidiary of COFCO (Hong Kong) Limited, a company incorporated in Hong Kong. In the opinion of the directors, the ultimate holding company of the Company is COFCO Corporation (“COFCO”), which is a state-owned enterprise registered in the People’s Republic of China (the “PRC”).

2.1 BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial information is prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants.

The unaudited condensed consolidated interim financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s financial statements for the year ended 31 December 2014.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies and basis of preparation adopted in the preparation of the unaudited condensed consolidated interim financial information are the same as those used in the annual financial statements of the Group for the year ended 31 December 2014, except in relation to the following revised Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all HKFRSs, HKASs and Interpretations) that affect the Group and are adopted by the Group for the first time for the current period’s financial information:

Amendments to HKAS 19	<i>Defined Benefit Plans: Employee Contributions</i>
<i>Annual Improvements 2010-2012 Cycle</i>	Amendments to a number of HKFRSs
<i>Annual Improvements 2011-2013 Cycle</i>	Amendments to a number of HKFRSs

The adoption of the above revised HKFRSs has had no significant impact on the Group’s unaudited condensed consolidated interim financial information.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 June 2015

3. OPERATING SEGMENT INFORMATION

For management purpose, the Group is organised into business units based on their products and services and has six reportable operating segments as follows:

- (a) the oilseeds processing segment engages in the extraction, refining and trading of edible oil and related products;
- (b) the biochemical and biofuel segment engages in the production and sale of biochemical and biofuel and related products;
- (c) the rice processing and trading segment engages in the processing and trading of rice;
- (d) the wheat processing segment engages in the production and sale of flour products and related products;
- (e) the brewing materials segment engages in the processing and trading of malt; and
- (f) the corporate and others segment comprises the Group's feed processing business and the Group's corporate income and expense items.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit/(loss) before tax except that interest income, gain on bargain purchase, finance costs and share of profits and losses of associates are managed on a group basis and are not allocated to reportable operating segments.

Segment assets exclude deferred tax assets, tax recoverable, restricted cash at bank, cash and cash equivalents and investments in associates as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank and other borrowings, convertible bonds and the related interest payables, tax payable and deferred tax liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

During the period, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue (six months ended 30 June 2014: Nil).

Geographical information

As the Group's major operations and customers are located in Mainland China, no further geographical segment information is provided.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 June 2015

4. REVENUE, OTHER INCOME AND GAINS

Revenue, which is the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts during the period.

An analysis of the Group's other income and gains is as follows:

	For the six months ended 30 June	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Other income		
Government grants*	257,762	166,019
Storage income from agency purchase (note 12)	89,295	91,987
Logistic service and storage income	8,504	19,572
Interest income	144,521	358,544
Compensation income	4,098	1,574
Others	25,588	8,206
	529,768	645,902
Gains		
Gains on disposal of raw materials, by-products and scrap items	19,520	50,793
Gain on disposal of items of property, plant and equipment (note 10)	–	1,563
Gain on disposal of items of intangible assets	–	1,235
Gain on bargain purchase (note 17)	4,337	240
	23,857	53,831
	553,625	699,733

* Various government grants have been received for investments in certain provinces in Mainland China, which are available for industries or locations in which the Company's subsidiaries operate. In addition, pursuant to relevant notices issued by the Finance Bureau of the PRC for fuel ethanol producers, COFCO Bio-Energy (Zhaodong) Co., Ltd. and Guangxi COFCO Bio-Energy Co., Ltd. are entitled to financial grants based on the quantity of fuel ethanol produced and sold. An amount of HK\$39,298,000 (six months ended 30 June 2014: HK\$46,435,000) has been included in the government grants for the period. Subsidy of HK\$136,890,000 (six months ended 30 June 2014: Nil) was granted to certain subsidiaries of the Group arising from bidding for and processing corns under the state grains reserve program. The remaining government grants mainly related to discretionary awards granted by local governments to certain subsidiaries of the Group to award their contributions to the industry or to the local development. There are no unfulfilled conditions or contingencies relating to these grants.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 June 2015

5. FINANCE COSTS

An analysis of the Group's finance costs is as follows:

	For the six months ended 30 June	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Interest on:		
Bank loans wholly repayable within five years	271,035	259,303
Bank loans wholly repayable over five years	13,781	18,606
Loans from fellow subsidiaries wholly repayable within five years	25,628	5,490
Loan from an intermediate holding company wholly repayable within five years	–	1,385
Loan from the ultimate holding company wholly repayable within five years	11,252	–
Convertible bonds	17,016	16,724
Total interest expenses on financial liabilities not at fair value through profit or loss	338,712	301,508
Less: Interest capitalised	(1,553)	(1,776)
	337,159	299,732

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 June 2015

6. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

	For the six months ended 30 June	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Cost of inventories sold or services provided	37,232,978	41,503,597
Realised and unrealised fair value losses/(gains) of commodity futures contracts, net	(730,374)	1,199,318
Write-down of inventories to net realisable value	258,665	380,574
Provision for loss on non-cancellable purchase commitments*	190,248	200,535
Cost of sales	36,951,517	43,284,024
Depreciation	828,673	790,860
Amortisation of intangible assets	3,922	1,396
Recognition of prepaid land premiums	33,963	33,799
Employee benefit expenses (including directors' and chief executive's remuneration)	1,120,235	965,150
Loss/(gain) on disposal of items of property, plant and equipment (note 10)	485	(1,563)
Gain on disposal of items of intangible assets	–	(1,235)
Loss on foreign exchange, net	275,003	280,379
Realised and unrealised fair value losses on foreign currency forward contracts, net	44,266	4,299

* It is the Group's usual practice to enter into purchase contracts with delivery of raw materials at a specified future date. As at 30 June 2015, the Group had certain purchase commitments of raw materials (the "Purchase Contracts") on which the Group expects a loss as the unavoidable costs of meeting obligations under the Purchase Contracts will exceed the economic benefits expected to be received under it. The loss of HK\$190,248,000 (six months ended 30 June 2014: HK\$200,535,000) is estimated by the directors with reference to the expected selling prices of the corresponding products, and a provision thereon has been made in the condensed consolidated statement of profit or loss for the six months ended 30 June 2015. The directors of the Company consider that these losses are resulted from the Group's ordinary course of business.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 June 2015

7. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2014: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates. Pursuant to the approvals issued by the State Administration of Taxation of the PRC in 2013, the Company and certain of its subsidiaries incorporated out of Mainland China are regarded as Chinese resident enterprises, and the relevant enterprise income tax policies of PRC are applicable to the Company and these subsidiaries commencing from 1 January 2013.

PRC corporate income tax ("CIT") represents tax charged on the estimated assessable profits arising from the enterprises operating in Mainland China. In general, the PRC subsidiaries of the Group are subject to the PRC corporate income tax rate of 25%. However, certain of the Group's subsidiaries are being approved by the relevant authorities as high-technology enterprise in Mainland China, and the relevant authorities have granted these subsidiaries preferential CIT rate of 15%. In addition to the preferential CIT rate granted to these subsidiaries in Mainland China, tax holidays were also granted by the relevant authority to one of the Group's subsidiaries, where CIT is exempted for the first three profitable years of the subsidiary and is chargeable at half of the applicable rate for the subsequent three years. Besides, the Group's certain subsidiaries are also granted income tax exemption on the profit generated from processing of certain agricultural products.

	For the six months ended 30 June	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Current – Hong Kong		
Charge for the period	2,661	52,388
Overprovision in prior periods	–	(5,793)
Current – Mainland China		
Charge for the period	37,188	83,033
Under-provision/(over-provision) in prior periods	(10,021)	1,402
Deferred tax	43,541	(676)
Total tax charge for the period	73,369	130,354

8. DIVIDEND

No dividends in respect of ordinary shares has been proposed, paid or declared by the Company for the current period and the corresponding period last year.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 June 2015

9. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic loss per share amounts for the six months ended 30 June 2015 is based on the loss for the period attributable to ordinary equity holders of the Company, and the weighted average number of 5,249,880,788 ordinary shares (six months ended 30 June 2014: 5,249,880,788 ordinary shares) in issue during the period.

The calculation of the diluted loss per share amounts is based on the loss for the period attributable to ordinary equity holders of the Company, adjusted to reflect the interest on the convertible bonds. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic loss per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

For the six months ended 30 June 2014 and 2015, no adjustments in respect of convertible bonds and share options have been made to the losses and number of shares used in the basic loss per share calculation due to that the outstanding convertible bonds and share options have anti-dilutive effect on the basic loss per share amounts presented.

The calculations of basic and diluted loss per share are based on:

Loss

	For the six months ended 30 June	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Loss attributable to ordinary equity holders of the Company used in the basic and diluted loss per share calculations	(269,195)	(290,155)

Number of shares

	For the six months ended 30 June	
	2015 (Unaudited)	2014 (Unaudited)
Weighted average number of ordinary shares in issue during the period used in the basic and diluted loss per share calculations	5,249,880,788	5,249,880,788

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 June 2015

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2015, the Group acquired items of property, plant and equipment with a total cost of HK\$277,195,000 (six months ended 30 June 2014: HK\$866,234,000), not including property, plant and equipment acquired through business combinations.

Items of property, plant and equipment with a net book value of HK\$12,643,000 (six months ended 30 June 2014: HK\$96,576,000) were disposed of by the Group during the six months ended 30 June 2015, resulting in a net loss on disposal of HK\$485,000 (six months ended 30 June 2014: gain of HK\$1,563,000).

11. ACCOUNTS AND BILLS RECEIVABLES

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally for 30 to 180 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's accounts receivable relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its accounts and bills receivables balances. Accounts and bills receivables are non-interest-bearing and are normally settled within one to three months, and one to six months, respectively.

An aged analysis of the Group's accounts and bills receivables at the end of the reporting period, based on the invoice date and bill issue date, net of provision for impairment, is as follows:

	30 June 2015	31 December 2014
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Within 3 months	2,780,162	2,570,132
3 to 12 months	198,808	26,349
1 to 2 years	4,626	3,000
2 to 3 years	2,374	499
	2,985,970	2,599,980

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 June 2015

12. AGENCY PURCHASE OF GRAINS

Pursuant to the Fagaidian [2013] No. 229, Guoliangtiao [2013] No. 265 and Guoliangtiao [2014] No. 254 issued by certain China government authorities (the "Notices"), during the period from 30 November 2013 to 30 April 2014 and the period from 30 November 2014 to 30 April 2015 (the "Designated Grain Purchase Periods"), certain subsidiaries (the "Entrusted Subsidiaries") of biochemical and biofuel business and rice processing and trading business entered into agency purchase agreements (the "Agency Purchase Agreements") with branch companies of China Grain Reserves Corporation ("Sinograin"), which is a state-owned enterprise, and local grain authorities of State Administration of Grain to purchase certain quantities of grains from farmers as agent of Sinograin at prices fixed in the Agency Purchase Agreements during the Designated Grain Purchase Periods. According to the Notices and Agency Purchase Agreements, (a) the grains purchased are national grains reserve and should be stored in separate warehouses of the Entrusted Subsidiaries and Sinograin is obliged to pay the Entrusted Subsidiaries with custody fees; (b) the funds for purchase of grains would be financed by Agricultural Development Bank of China ("ADBC"), which is a bank incorporated to implement China government's agricultural policies, through bank loans lent to the Entrusted Subsidiaries; (c) the interest expenses related to these bank loans would be fully reimbursed by Sinograin to these Entrusted Subsidiaries once the related government subsidies were granted to Sinograin; and (d) the principal of the bank loans should be repaid to ADBC upon receipt of funds transferred from Sinograin when the grains are sold by Sinograin.

As disclosed in the condensed consolidated statement of financial position at 30 June 2015, the balance owed by Sinograin to the Group and short term unsecured bank loans owed by the Group to ADBC as a result of the aforesaid arrangements amounted to HK\$5,290,789,000 (31 December 2014: HK\$3,117,959,000) and HK\$5,432,420,000 (31 December 2014: HK\$3,165,800,000), respectively. In view of the fact that the interest expenses to ADBC can be fully reimbursed by the related interest income from Sinograin, the interest expenses to ADBC and the related interest income from Sinograin were presented on a net basis in the condensed consolidated statement of profit or loss. The storage income arising from the aforesaid arrangements attributable to current period was HK\$89,295,000 (six months ended 30 June 2014: HK\$91,987,000) (note 4), which is recorded as other income in the condensed consolidated statement of profit or loss.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 June 2015

13. ACCOUNTS AND BILLS PAYABLES

An aged analysis of the Group's accounts and bills payables at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2015	31 December 2014
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Within 3 months	4,316,034	5,109,240
3 to 12 months	250,863	27,329
1 to 2 years	11,786	13,860
Over 2 years	7,914	6,283
	4,586,597	5,156,712

Accounts and bills payables are non-interest-bearing and are normally settled within one to three months and one to six months, respectively.

14. CONVERTIBLE BONDS

On 29 July 2010, Glory River Holdings Limited (the "Issuer"), a wholly-owned subsidiary of the Company, issued 1% fixed rate convertible bonds (the "Convertible Bonds") due on 29 July 2015 (the "Maturity Date"), with an aggregate principal amount of HK\$3,875,000,000. The Company has unconditionally and irrevocably guaranteed the due payments of all sums to be payable by the Issuer. The Convertible Bonds have been listed and quoted on the Singapore Exchange Securities Trading Limited on 2 August 2010.

The bonds are convertible at the option of the bondholders into ordinary shares of the Company on or after 8 September 2010 up to 19 July 2015. The initial conversion price is HK\$11.375 per share and the conversion price is subject to adjustment upon occurrence of certain adjustment events subsequently. Pursuant to the terms and conditions of the Convertible Bonds, conversion price adjustments had been made correspondingly as a result of the declaration of dividends by the Company for the years ended 31 December 2010, 2011, 2012 and 2013 and, most recently, the conversion price of the Convertible Bonds had been adjusted to HK\$9.868 per share with effect from 14 June 2014 as a result of the declaration of 2013 final dividend.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 June 2015

14. CONVERTIBLE BONDS (continued)

The Issuer would, at the option of the holder of any bond, redeem all or part of such holder's bonds on 29 July 2013 at a certain predetermined early redemption amount as at the relevant date fixed for redemption, together with interest accrued but unpaid to such date. On 29 July 2013, the Issuer redeemed (the "Early Redemption"), at the option of certain holders of the Convertible Bonds, certain Convertible Bonds with an aggregate principal amount of HK\$2,668,500,000 at the applicable Early Redemption Amount of HK\$103,076.01 in respect of each HK\$100,000 principal amount of the Convertible Bonds for a total consideration of approximately HK\$2,750,583,000. After the Early Redemption, the outstanding principal amount of the Convertible Bonds is HK\$1,206,500,000.

The bonds carry interest at a rate of 1% per annum, which is payable half-yearly in arrears on 29 January and 29 July. Unless previously redeemed, converted or purchased and cancelled in the circumstances referred to in the terms and conditions of the bonds, the Issuer will redeem each bond at its principal amount multiplied by 105.231% together with accrued and unpaid interest thereon on the Maturity Date.

The fair value of the liability component was estimated at the issuance date using an equivalent market interest rate for a similar bond without a conversion option. The residual amount is assigned as the equity component and is included in shareholders' equity.

15. SHARE CAPITAL

	30 June 2015	31 December 2014
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
<hr/>		
Issued and fully paid:		
5,249,880,788 (31 December 2014: 5,249,880,788)		
ordinary shares	9,771,664	9,771,664
<hr/>		

16. SHARE OPTION SCHEME

On 12 January 2007, the shareholders of the Company conditionally approved and adopted a share option scheme (the "Scheme") for the purpose of attracting, retaining and motivating directors and eligible participants to acquire proprietary interests in the Company and to encourage them to work towards enhancing the value of the Company. Eligible participants include, but are not limited to, any directors (excluding independent non-executive directors), officers and employees of the Group, or any other person the board of directors may propose. The Scheme became unconditional and effective upon listing of the shares of the Company on 21 March 2007 and, unless otherwise cancelled, amended or terminated in accordance with the Scheme, will remain in force for 10 years from 21 March 2007.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 June 2015

16. SHARE OPTION SCHEME (continued)

The maximum number of shares of the Company which may be issued upon exercise of all share options granted under the Scheme or any other share option scheme shall not in aggregate exceed 10% of the shares in issue as at the date of passing the relevant resolution adopting the Scheme unless it is approved by shareholders in a general meeting of the Company. The maximum number of shares issued and to be issued on exercise of all share options granted and to be granted to each eligible participant in any 12-month period is limited to 1% of the shares in issue at the relevant time unless it is approved by shareholders in a general meeting of the Company.

Any grant of share options under the Scheme to a director, chief executive or substantial shareholder of the Company or any of their respective associates must be approved by independent non-executive directors. Any share options granted to a substantial shareholder of the Company or to any of their respective associates, in excess of 0.1% of the shares in issue and with an aggregate value (based on the closing price of the shares at the date of grant) in excess of HK\$5 million, in any 12-month period, are subject to shareholders' approval in a general meeting of the Company.

The offer of a grant of share options may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK\$1 in total by each grantee. The exercise period of the share options granted is determinable by the board of directors.

The exercise price of share options is determinable by the board of directors, but may not be less than the higher of (i) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer; and (iii) HK\$0.1.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

On 7 August 2007, a total of 27,600,000 share options were granted to certain directors and employees of the Group in respect of their services to the Group in the forthcoming year (the "2007 Options"). The 2007 Options had an exercise price of HK\$4.666 per share and an exercise period from 7 August 2009 to 6 August 2014. The closing price of the Company's shares at the date of grant was HK\$4.50 per share.

Pursuant to an ordinary resolution passed on 25 May 2010 in the annual general meeting of the shareholders, the vesting and exercise periods for the 2007 Options had been modified (the "Modification").

On 31 March 2011, a total of 45,300,000 share options were granted to certain directors and employees of the Group in respect of their services to the Group in the forthcoming year (the "2011 Options"). The 2011 Options had an exercise price of HK\$8.720 per share and an exercise period from 31 March 2013 to 30 March 2018. The closing price of the Company's share at the date of grant was HK\$8.720 per share.

In accordance with the terms of the Scheme, with effect on 28 March 2013, the exercise prices and the outstanding number of share options of the 2007 Options and the 2011 Options have been adjusted (the "Adjustments") as a result of the rights issue of the Company made in 2012. After the Adjustments, the exercise prices of the 2007 Options and the 2011 Options are HK\$4.399 and HK\$8.220 per share, respectively, and the outstanding number of share options of the 2007 Options and the 2011 Options have been increased by 1,360,000 and 2,646,000 shares, respectively.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 June 2015

16. SHARE OPTION SCHEME (continued)

The following 2007 Options were outstanding under the Scheme during the period:

	2015		2014	
	Weighted average exercise price HK\$ per share	Number of options '000 (Unaudited)	Weighted average exercise price HK\$ per share	Number of options '000 (Unaudited)
At 1 January	4.399	–	4.399	24,180
Forfeited during the period	4.399	–	4.399	(869)
At 30 June	4.399	–	4.399	23,311

The vesting periods, exercise price and exercise periods of the 2007 Options outstanding as at 30 June 2015 and 2014 are as follows:

2015		2014		Exercise price per share* HK\$	Exercise period (d-m-yyyy)
Number of options granted* '000		Number of options granted* '000			
–	2,579	–	2,579	4.399	7-8-2007 to 6-8-2009
–	5,183	–	5,183	4.399	7-8-2007 to 6-8-2010
–	5,183	–	5,183	4.399	7-8-2007 to 6-8-2011
–	5,183	–	5,183	4.399	7-8-2007 to 6-8-2012
–	5,183	–	5,183	4.399	7-8-2007 to 6-8-2013
–	23,311	–	23,311		

* The exercise price and number of share options are subject to adjustments in the case of rights or bonus issues, or other similar changes in the Company's share capital.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 June 2015

16. SHARE OPTION SCHEME (continued)

The following 2011 Options were outstanding under the Scheme during the period:

	2015		2014	
	Weighted average exercise price HK\$ per share	Number of options '000 (Unaudited)	Weighted average exercise price HK\$ per share	Number of options '000 (Unaudited)
At 1 January	8.220	43,583	8.220	45,491
Forfeited during the period	8.220	(212)	8.220	(1,124)
At 30 June	8.220	43,371	8.220	44,367

The vesting periods, exercise price and exercise periods of the 2011 Options outstanding as at 30 June 2015 and 2014 are as follows:

2015		2014			
Number of options granted* '000		Vesting period (d-m-yyyy)	Exercise price per share* HK\$	Exercise period (d-m-yyyy)	
8,691	8,976	31-3-2011 to 30-3-2013	8.220	31-3-2013 to 30-3-2018	
8,691	8,943	31-3-2011 to 30-3-2014	8.220	31-3-2014 to 30-3-2018	
8,691	8,816	31-3-2011 to 30-3-2015	8.220	31-3-2015 to 30-3-2018	
8,649	8,816	31-3-2011 to 30-3-2016	8.220	31-3-2016 to 30-3-2018	
8,649	8,816	31-3-2011 to 30-3-2017	8.220	31-3-2017 to 30-3-2018	
43,371	44,367				

* The exercise price and number of share options are subject to adjustments in the case of rights or bonus issues, or other similar changes in the Company's share capital.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 June 2015

16. SHARE OPTION SCHEME (continued)

The aggregate fair values of the 2007 Options and 2011 Options granted during prior years were amounted to approximately HK\$222,075,000 (including an additional fair value of approximately HK\$2,759,000 arising from the Modification) of which the Group recognised share option expenses of HK\$7,538,000 during the period (six months ended 30 June 2014: HK\$12,253,000).

The fair values of the equity-settled share options were estimated as at the date of grant or modification, using option pricing models, taking into account of the according terms and conditions. The following table lists the inputs to the models used:

	2011 Options	2007 Options
Date of grant/modification	31 March 2011	25 May 2010
Dividend yield (%)	1.43	1.5
Expected volatility (%)	47.49	55.20
Historical volatility (%)	47.49	55.20
Risk-free interest rate (%)	2.369	1.320
Expected life of options (year)	7.0	4.2
Closing share price (HK\$ per share)	8.72	8.47

The expected life of the options is determined with reference to the vesting term and original contractual term of the Scheme and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

At the end of the reporting period, the Company had 43,371,000 share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 43,371,000 additional ordinary shares of the Company and additional share capital of approximately HK\$356,509,620 (before issue expenses).

At the date of the approval of these financial statements, the Company had approximately 43,371,000 share options outstanding under the Scheme, which represented approximately 0.8% of the Company's shares in issue as at that date.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 June 2015

17. BUSINESS COMBINATIONS

Business combinations for the six months ended 30 June 2015

During the six months ended 30 June 2015, the Group acquired 51% equity interest in Jiujiang Lishan Entech Co., Ltd. (九江力山環保科技有限公司) and its wholly-owned subsidiary Jiangxi Longchang Bioenergy Technology Co., Ltd.* (江西隆昌生物能源科技有限公司) (together referred to as the "Lishan Tech") from a third party at a cash consideration of approximately HK\$199,331,000. Lishan Tech is engaged in the production and sale of aliphatic acid.

The Group has elected to measure the non-controlling interest in Lishan Tech at the non-controlling interest's proportionate share of Lishan Tech's identifiable net assets.

Upon the issuance of the interim financial information, the Group has not finalised the assessment of the fair value of the acquired identifiable net assets of Lishan Tech, hence the following purchase price allocation is on a provisional basis.

	Note	Fair value recognised on acquisition HK\$'000 (Unaudited)
Property, plant and equipment		200,359
Prepaid land premiums		40,192
Intangible assets		7,272
Inventories		107,015
Deferred tax assets		11,127
Accounts and bills receivables		98,751
Prepayments, deposits and other receivables		132,495
Restricted cash at bank		29,575
Cash and cash equivalents		14,583
Accounts and bills payables		(18,139)
Bank and other borrowings		(159,014)
Tax payable		(8,613)
Deferred income		(41,042)
Other payables and accruals		(10,351)
Deferred tax liabilities		(4,861)
Total identifiable net assets at fair value		399,349
Non-controlling interest		(195,681)
Gain on bargain purchase (note 4)		(4,337)
		199,331
Satisfied by:		
Cash	(a)	199,331

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 June 2015

17. BUSINESS COMBINATIONS (continued)

Business combinations for the six months ended 30 June 2015 (continued)

Note:

- (a) Pursuant to the sale and purchase agreement between the Group and the prior controlling owner of Lishan Tech, the original consideration of approximately HK\$199,331,000 is subject to an adjustment of the un-collected portion of certain receivables ("Identified Receivables"). If these Identified Receivables could not be fully recovered within twelve months from the acquisition date, then 51% of the uncollected portion will be deducted from the original consideration.

An analysis of the cash flows in respect of the acquisition of Lishan Tech is as follows:

	For the six months ended 30 June 2015 HK\$'000 (Unaudited)
Cash consideration	(199,331)
Cash and cash equivalents acquired	14,583
Net outflow of cash and cash equivalents in respect of the acquisition of Lishan Tech	(184,748)

During the six months ended 30 June 2015, Lishan Tech generated revenue and net profit of approximately HK\$174,400,000 and HK\$5,904,000, respectively. Since the acquisition date to 30 June 2015, Lishan Tech contributed revenue of HK\$116,495,000 and net profit of approximately HK\$4,766,000 to the Group.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 June 2015

17. BUSINESS COMBINATIONS (continued)

Business combinations for the six months ended 30 June 2014

During the six months period ended 30 June 2014, the Group acquired a 51% equity interest in COFCO Nisshin (Dalian) Oil Mills Limited* (中糧日清(大連)有限公司) ("COFCO Nisshin") (formerly known as Dalian Nisshin Oil Mills Limited*) from a third party at a cash consideration of approximately HK\$14,063,000 plus contingent consideration (note a). COFCO Nisshin is engaged in the production and sale of edible oil.

The Group has elected to measure the non-controlling interest in COFCO Nisshin at the non-controlling interest's proportionate share of COFCO Nisshin's identifiable net assets.

The fair values of the identifiable assets and liabilities of COFCO Nisshin at the date of acquisition were as follows:

	Note	Fair value recognised on acquisition HK\$'000 (Audited)
Property, plant and equipment		264,492
Intangible assets		29,133
Inventories		74,243
Accounts receivables		12,533
Prepayments, deposits and other receivables		22,740
Cash and cash equivalents		355,755
Accounts and bills payables		(236,325)
Bank and other borrowings		(410,528)
Other payables and accruals		(76,469)
Deferred tax liabilities		(4,721)
Total identifiable net assets at fair value		30,853
Non-controlling interest		(15,118)
Gain on bargain purchase		(1,672)
		14,063
Satisfied by:		
Cash		14,063
Contingent consideration	(a)	–

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 June 2015

17. BUSINESS COMBINATIONS (continued)

Business combinations for the six months ended 30 June 2014 (continued)

Note:

- (a) The contingent consideration arrangement requires the Group to pay the seller up to a maximum cash consideration of RMB70,000,000 out of the dividends to be apportioned to the Group in the future with an annual cap of RMB10,000,000, provided that the patents owned by COFCO Nisshin relating to certain edible oil remains effective during the period from the acquisition date to the expiry date of the patents held by COFCO Nisshin. Directors of the Company are of the opinion that given that the amount of accumulated losses of COFCO Nisshin is material, the discounted value of the future dividends to be distributed, if any, is immaterial.

An analysis of the cash flows in respect of the acquisition of COFCO Nisshin is as follows:

	For the six months ended 30 June 2014 HK\$'000 (Unaudited)
Cash consideration	(14,063)
Cash and cash equivalents acquired	355,755
Net inflow of cash and cash equivalents in respect of the acquisition of COFCO Nisshin	341,692

During the six months ended 30 June 2014, COFCO Nisshin generated revenue and net loss of approximately HK\$992,173,000 and HK\$1,723,000, respectively. Since the acquisition date to 30 June 2014, COFCO Nisshin contributed revenue of HK\$506,802,000 and net loss of approximately HK\$1,959,000 to the Group.

- * *The English name of the entities referred in these condensed consolidated interim financial information represents the translation of their Chinese name for identification purpose only, as their English names have not been registered.*

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 June 2015

18. RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

Apart from the transactions and balances disclosed elsewhere in the interim financial information, the Group had the following transactions with related parties during the period:

	Notes	For the six months ended 30 June	
		2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Transactions with fellow subsidiaries:			
Sales of goods	(i)	5,557,015	3,945,165
Purchases of goods	(i)	5,663,609	1,061,955
Operating lease rental paid	(i)	1,715	1,913
Interest expense	(ii)	25,628	5,490
Interest income	(iii)	–	7,049
Brokerage fee paid	(i)	4,693	13,049
Logistics service and storage expense	(i)	8,936	9,446
Processing service and other income	(i)	5,222	6,271
Transactions with the ultimate holding company:			
Operating lease rental paid	(i)	10,487	11,167
Interest expense	(ii)	11,252	–
Transaction with an intermediate holding company:			
Interest expense	(ii)	–	1,385
Transactions with associates:			
Sales of goods	(i)	134,847	428,415
Purchases of goods	(i)	62,689	77,237
Interest income	(iii)	4,605	3,652
Other service expenses	(i)	5,416	596
Other service income	(i)	12,479	621
Transactions with related companies [#] :			
Sales of goods	(i)	78,579	118,763
Purchases of goods	(i)	94,468	719,057
Transactions with non-controlling shareholders of subsidiaries:			
Sales of goods	(i)	345,241	196,202
Purchases of goods	(i)	18,419	35,934

[#] Related companies are companies under significant influence by the Group's ultimate holding company.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 June 2015

18. RELATED PARTY TRANSACTIONS (continued)

(a) Transactions with related parties (continued)

Notes:

- (i) For six months ended 30 June 2015, all transactions were carried out with reference to the prevailing market prices or, where no market prices were available, at cost plus a percentage of profit mark-up. For six months ended 30 June 2014, except for the transactions with an associate for sales of goods of HK\$46,523,000 which were carried out at cost, other transactions were carried out with reference to the prevailing market prices or, where no market prices were available, at cost plus a percentage of profit mark-up.
- (ii) The interest expense to fellow subsidiaries arose from loans from fellow subsidiaries, which were unsecured and bore interest rates ranged from 0.79% to 5.6% per annum (six months ended 30 June 2014: 1.16% to 5.6% per annum). The interest expenses to the ultimate holding company arose from the loans from COFCO which were unsecured and bore interest at a rate of 5.0% per annum (six months ended 30 June 2014: Nil). For six months ended 30 June 2014, the interest expense to an intermediate holding company arose from unsecured loans which bore interest at a rate of 3.4% per annum.
- (iii) For six months ended 30 June 2014, the interest income from fellow subsidiaries represented interest income arose from loans to a fellow subsidiary, which were unsecured and bore interest at a rate of 5.6% per annum. For the six months ended 30 June 2015, the interest income from associates arose from loans to an associate, which were unsecured and bore interest at rates ranged from 4.0% to 4.82% per annum (six months ended 30 June 2014: 2.5% and 4.0% per annum).

(b) Outstanding balances with related parties

Except for the following, the balances with related parties at the end of the reporting period are unsecured, interest-free and have no fixed terms of repayment:

- (1) Loans from fellow subsidiaries of HK\$3,505,920,000 (31 December 2014: HK\$3,127,957,000) bore interest at rates ranged from 0.79% to 5.6% per annum (31 December 2014: 1.16% to 5.6% per annum) and will be repaid within one year. Loans from the ultimate holding company of HK\$380,416,000 (31 December 2014: HK\$380,291,000) bore interest at a rate of 5.0% per annum (31 December 2014: 5.0% per annum) and will be repaid within one year.
- (2) The loans to associates included in the Group's investments in associates are unsecured, interest-free and the Company does not expect these loans to be repaid within the next twelve months. In the opinion of the directors, these loans are considered as quasi-equity investments in the associates. The loans to an associate of HK\$211,648,000 (31 December 2014: HK\$211,579,000) included in current assets, which are unsecured and bore interest at rates of 4.2% and 4.82% per annum (31 December 2014: 4.0% and 4.2% per annum).
- (3) Amounts due to non-controlling shareholders of subsidiaries of HK\$210,191,000 (31 December 2014: HK\$210,161,000) are financing in nature and not repayable within one year from the end of the reporting period.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 June 2015

18. RELATED PARTY TRANSACTIONS *(continued)*

(c) Commitments with related parties

During the period ended 30 June 2015, the Group entered into purchase agreements with Noble Resources S.A. ("Noble"), a fellow subsidiary of the Group, pursuant to which the Group agreed to purchase soybean and other oilseeds processing materials from Noble with a total consideration of approximately HK\$3,770,654,000. The Group expects that these transactions will be taken place in the second half of 2015.

During the period ended 30 June 2014, the Group entered into purchase agreements with Archer Daniels Midland Company ("ADM"), a related party of the Group, pursuant to which the Group agreed to purchase soybean from ADM with a total consideration of approximately HK\$464,878,000. These transactions had been taken place in the second half of 2014.

The amount of total transactions with related parties for the reporting period is included in note 18(a) to the condensed consolidated interim financial information. The transactions were carried out with reference to the prevailing market prices or, where no market prices were available, at cost plus a percentage of profit mark-up.

(d) Compensation of key management personnel of the Group

	For the six months ended 30 June	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Short term employee benefits	4,472	8,791
Post-employment benefits	185	203
Equity-settled share option expense	776	1,365
Total compensation paid to key management personnel	5,433	10,359

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 June 2015

18. RELATED PARTY TRANSACTIONS (continued)

(e) Transactions with other state-owned enterprises

The Group operates in an economic environment predominated by enterprises directly or indirectly owned or controlled by the PRC government through its numerous authorities, affiliates or other organisations (collectively “State-owned Enterprises”). During the reporting period, the Group enters into extensive transactions covering, but not limited to, purchases of agricultural raw materials, sales of diversified products, purchases of property, plant and equipment and other assets, receiving of services, and making deposits and borrowings with State-owned Enterprises, other than the COFCO group, in the normal course of business at terms comparable to those with non-state-owned enterprises. The directors consider that transactions with other State-owned Enterprises are activities in the ordinary course of the business, and that dealings of the Group have not been significantly or unduly affected by the fact that the Group and those State-owned Enterprises are ultimately controlled or owned by the PRC government. The Group has also established pricing policies for products and services, and such policies do not depend on whether or not the customers are State-owned Enterprises. Having due regard to the substance of the relationships, the directors of the Company are of the opinion that none of these transactions constitutes a material related party transaction that requires separate disclosure.

19. OPERATING LEASE ARRANGEMENTS

The Group leases certain of its office properties and land use rights under operating lease arrangements. Leases for office properties are negotiated for terms ranging from one to ten years and those for land use rights for terms of fifty years.

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2015 HK\$'000 (Unaudited)	31 December 2014 HK\$'000 (Audited)
Within one year	23,618	33,092
In the second to fifth years, inclusive	9,196	11,000
After five years	43,473	44,598
	76,287	88,690

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 June 2015

20. CAPITAL COMMITMENTS

In addition to the operating lease commitments detailed in note 19 above, the Group had the following capital commitments at the end of the reporting period:

	30 June 2015	31 December 2014
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Capital commitments in respect of property, plant and equipment:		
Authorised, but not contracted for	2,168,071	2,512,737
Contracted, but not provided for	460,787	360,252
	2,628,858	2,872,989

21. OTHER COMMITMENTS

(a) Commitments under commodity futures contracts:

	30 June 2015	31 December 2014
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Sales contracts	10,746,506	16,991,466
Purchases contracts	1,340,061	3,304,231

(b) Commitments under foreign currency forward contracts:

As at 30 June 2015, the Group has commitments under non-deliverable and deliverable foreign currency forward contracts of sales of United States dollars with an aggregate notional amount of HK\$449,524,000 and purchase of United States dollars with an aggregate notional amount of HK\$1,747,536,000 (31 December 2014: sales of United States dollars with an aggregate notional amount of HK\$1,204,273,000).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 June 2015

22. FAIR VALUE AND FAIR VALUE HIERARCHY

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	30 June 2015 HK\$'000 (Unaudited)	31 December 2014 HK\$'000 (Audited)	30 June 2015 HK\$'000 (Unaudited)	31 December 2014 HK\$'000 (Audited)
Financial assets				
Derivative financial instruments	293,840	505,621	293,840	505,621
Financial liabilities				
Derivative financial instruments	34,142	4,090	34,142	4,090
Interest-bearing bank and other borrowings	30,386,603	30,379,546	30,404,583	30,378,729
	30,420,745	30,383,636	30,438,725	30,382,819

Management has assessed that the fair values of cash and cash equivalents, restricted cash at bank, accounts and bills receivables, accounts and bills payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables, accruals, amounts due from/to related parties, available-for-sale investments, convertible bonds, other receivables due from Sinograin and bank borrowings due to ADBC approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer and the audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 June 2015

22. FAIR VALUE AND FAIR VALUE HIERARCHY (continued)

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The carrying amount of the liability portion of the convertible bonds approximates to its fair value, which has been estimated by discounting the expected future cash flows using an equivalent market interest rate for a similar convertible bond with consideration of the Group's own non-performance risk. The Group's own non-performance risk for derivative financial liabilities, interest-bearing bank and other borrowings and liability component of convertible bonds as at 30 June 2015 was assessed to be insignificant.

The Group enters into derivative financial instruments with various counterparties, principally established commodity trading exchanges or financial institutions with good credit ratings. Derivative financial instruments, including commodity futures contracts and foreign currency forward contracts, are measured using market quoted prices or quoted prices from financial institutions with which the forward currency contracts are entered into. The carrying amounts of commodity futures contracts and foreign currency forward contracts are the same as their fair values.

As at 30 June 2015, the marked to market value of the derivative asset position is net of a credit valuation adjustment attributable to derivative counterparty default risk. The changes in counterparty credit risk had no material effect on other financial instruments recognised at fair value.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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22. FAIR VALUE AND FAIR VALUE HIERARCHY (continued)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value

	Fair value measurement using			Total
	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	
As at 30 June 2015				
	(Level 1)	(Level 2)	(Level 3)	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Derivative financial instruments	293,840	–	–	293,840
As at 31 December 2014				
	(Level 1)	(Level 2)	(Level 3)	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Audited)	(Audited)	(Audited)	(Audited)
Derivative financial instruments	505,621	–	–	505,621

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 June 2015

22. FAIR VALUE AND FAIR VALUE HIERARCHY (continued)

Fair value hierarchy (continued)

Liabilities measured at fair value

	Fair value measurement using			Total
	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	
As at 30 June 2015				
	(Level 1)	(Level 2)	(Level 3)	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Derivative financial instruments	34,142	–	–	34,142
As at 31 December 2014				
	(Level 1)	(Level 2)	(Level 3)	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Audited)	(Audited)	(Audited)	(Audited)
Derivative financial instruments	4,090	–	–	4,090

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 June 2015

22. FAIR VALUE AND FAIR VALUE HIERARCHY (continued)

Fair value hierarchy (continued)

Liabilities for which fair values are disclosed

	Fair value measurement using			Total
	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	
As at 30 June 2015				
	(Level 1)	(Level 2)	(Level 3)	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interest-bearing bank and other borrowings	–	30,404,583	–	30,404,583
As at 31 December 2014				
	(Level 1)	(Level 2)	(Level 3)	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Audited)	(Audited)	(Audited)	(Audited)
Interest-bearing bank and other borrowings	–	30,378,729	–	30,378,729

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 June 2015

23. EVENT AFTER THE REPORTING PERIOD

Pursuant to the terms and conditions of the Convertible Bonds, the Issuer has redeemed upon maturity on 29 July 2015 all outstanding Convertible Bonds in full at the redemption price equal to its aggregate principal amount of HK\$1,206,500,000 multiplied by 105.231% together with accrued and unpaid interest thereon (the "Redemption"). The total amount paid was HK\$1,275,644,515. Following the Redemption, the Convertible Bonds have been cancelled and the Issuer and the Company were discharged from all of their respective obligations under and in respect of the Convertible Bonds. Further details, please refer to the announcement of the Company dated 29 July 2015.

24. APPROVAL OF THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

The unaudited condensed consolidated interim financial information was approved and authorised for issue by the board of directors on 26 August 2015.



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