



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



2016
INTERIM REPORT
中期業績報告

IMPROVE QUALITY
INCREASE EFFICIENCY
提質增效



2016
INTERIM REPORT

IMPROVE QUALITY
INCREASE EFFICIENCY





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Corporate Information

Directors

Chairman of the Board and Executive Director

CHI Jingtao

Executive Directors

GU Lifeng (Deputy Managing Director)

SHI Bo

Non-executive Directors

YU Xubo

MA Wangjun

Independent Non-executive Directors

LAM Wai Hon, Ambrose

Patrick Vincent VIZZONE

ONG Teck Chye

Audit Committee

LAM Wai Hon, Ambrose (Chairman)

Patrick Vincent VIZZONE

ONG Teck Chye

MA Wangjun

Remuneration Committee

Patrick Vincent VIZZONE (Chairman)

MA Wangjun

LAM Wai Hon, Ambrose

ONG Teck Chye

Nomination Committee

CHI Jingtao (Chairman)

LAM Wai Hon, Ambrose

Patrick Vincent VIZZONE

ONG Teck Chye

Executive Committee

GU Lifeng (Chairman)

CHI Jingtao

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

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262 Gloucester Road

Causeway Bay

Hong Kong

Share Registrar and Transfer Office

Tricor Progressive Limited

Level 22, Hopewell Centre

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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

Industrial and Commercial Bank of
China Limited

Rabobank International

(Hong Kong Branch)

Societe Generale Corporate and

Investment Banking

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Stock Code

606

Financial Highlights

For the six months ended 30 June 2016

For the period ended 30 June				
	Unit	2016	2015	Increase/ (Decrease)
Revenue:	HK\$ million	40,764.4	39,207.7	4%
– Oilseeds processing	HK\$ million	21,880.1	19,063.6	15%
– Biochemical and biofuel	HK\$ million	5,620.3	8,154.4	(31%)
– Rice processing and trading	HK\$ million	4,523.9	4,545.1	–
– Wheat processing	HK\$ million	4,047.4	4,017.8	1%
– Brewing materials	HK\$ million	1,650.9	1,455.7	13%
– Corporate and others	HK\$ million	3,041.8	1,971.1	54%
Loss before tax	HK\$ million	(288.9)	(148.9)	94%
Operating loss (segment results)	HK\$ million	(52.6)	(6.9)	662%
Operating profit before depreciation and amortisation	HK\$ million	756.2	859.7	(12%)
Operating margin	%	(0.1)	(0.0)	N/A
Loss attributable to owners of the Company	HK\$ million	(223.3)	(269.2)	(17%)
Loss per share:				
– Basic	HK cents	(4.25)	(5.13)	(17%)
– Diluted	HK cents	(4.25)	(5.13)	(17%)
Interim dividend per share	HK cents	–	–	N/A
Closing price per share at period-end	HK\$	2.55	4.42	(42%)
Market capitalisation at period-end	HK\$ million	13,387.2	23,204.5	(42%)
Net gearing ratio at period-end	%	74.9	72.2	N/A



MANAGEMENT DISCUSSION AND ANALYSIS

- + Oilseeds Processing Business**
- + Biochemical and Biofuel Business**
- + Rice Processing and Trading Business**
- + Wheat Processing Business**
- + Brewing Materials Business**



BUSINESS REVIEW

For the first half of 2016, the global economy saw a slowing growth without robust recovery due to sluggish demand and political unrest. As an important pillar of global economic growth, the Chinese economy has been a positive exception with a year-on-year GDP growth rate of 6.7% for the first half of 2016 due to the government's efforts to deepen reforms. Volatile futures and foreign exchange markets have created challenges for our business, but at the same time the rebound in global oil prices, higher profits in domestic livestock feed industry and general growth in consumer demand have eased pressure on the agribusiness and food processing industry.

During the first half of 2016, production capacity remained stable for China Agri-Industries Holdings Limited ("China Agri" or the "Company"). The management continued focusing on improving business performance and used various strategies to cope with relatively thin profits margin. The Company set and followed quantitative targets, and tracked a range of metrics at key factories to increase operational efficiency. At the same time, business segments proactively seek to benefit from government policies adjustment and "destocking" in agriculture sector to mitigate

cost pressures. By adjusting procurement strategies in advance and participating relevant grain reserves business, the divisions set solid foundation to improve their performances.

During the period under review, the Company continued expanding market and developing sales channels which led to a 22.2% increase on total sales volume to 10,795,000 metric tons of main products, including vegetable oil, rice, flour and feed ingredients. Total revenue was HK\$40,764.4 million with a year-on-year growth of 4.0%, which enhanced the Company's leading position in terms of business scale. Loss attributable to equity holders narrowed on a year-on-year basis to HK\$223.3 million due to continued business recovery.

Oilseeds Processing Business

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 primarily 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 2016, oilseeds market witnessed much more dramatic volatility with larger range of fluctuation than the same period of last year. After drifting lower in the beginning of the year, soybean prices showed strong gains with an increase of more than 300 U.S. cents. Domestic soybean meal prices started with fall but ended higher. During January to March, lackluster demand for domestic feed blocked prices from rising. But as U.S. soybean prices rose and feed demand picked up, domestic feed mills and traders began to stock up, leading to a soybean meal price rally. In soybean oil market, prices rose between January and April with tight supply and strong palm oil prices. Thereafter, soybean oil price retreated as inventories level increased caused by more soybean crushed and off-season of domestic consumption.

In response to the price spike in soybean market, the Company adjusted strategy and sourcing pace to procure low cost supplies. Meanwhile, by leveraging our business acumen, we tried to lock in and optimise profits from domestic and foreign markets, maintaining a solid business momentum. However, against the background of huge volatile markets, since the gains in cash inventories as at the end of June cannot be recognised during the period under review, the oilseeds processing business's gross profit margin for the first half of 2016 was down to 0.2% due to the losses arising from futures contracts for hedging.

In terms of products sales in oilseed meal, the Company optimised its customer portfolio according to the features of different regional markets. In the areas with developed livestock farming industry, the oilseeds processing business used its brand advantages to expand its market to livestock farms that make their own custom feeds, as well as improve cooperation with the feed processing enterprises. In the areas mainly for distributors, it focused on detailed management of distribution channel. By extending market penetration through promotional efforts, the percentage of meal directly sold to end customers increased notably. In terms of vegetable oil sales, the Company focused on improving key customers service and meeting their demands through the edges of global sourcing, national footprint and comprehensive information channels. Moreover, it also developed procurement and sales channels for the high gross margin products, such as sunflower oil, peanut oil, maize oil and non-transgenic soybean oil. By coordinating procurement and sales, the oilseeds processing business realised a relatively higher capacity utilisation rate at about 80%. Sales volume of oilseed meals and vegetable oil increased 23.9% and 35.0% to 3,609,000 metric tons and 1,710,000 metric tons respectively, with revenues of HK\$21,880.1 million for the oilseeds processing business, an increase of 14.8% year-on-year.

Going forward, uncertain size of U.S. soybean crop and demand change will be the major factors determining the market. In the short term, weather will be the most important factor affecting the market, leading to more fluctuations in U.S. soybean prices. Other than the price impact from U.S. soybean, domestic meal demand is expected to be supported by the traditional peak season and restocking of downstream hog farming industry. With the professional risk management ability, the Company will adjust its business strategy to adapt to changing market conditions, and operate with flexibility to achieve sustained improvement in business performance.

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 2016, China Agri's biochemical and biofuel revenues shrank on a year-on-year basis to HK\$5,620.3 million due to declines in the selling prices of its major products. Overall gross profit margin was 8.8%.

Biochemical Business

In 2016, corn prices fell due to relatively high supply levels and continuing market-oriented reforms in China's domestic corn market. During the first half year, government corn purchases for the national reserves in northeast China hit a record level. Different regional reserve policies resulted in high prices in the producing region and lower prices in consumption region. The processing enterprises in the northeast were hard hit and suffered margin pressure during the purchasing period. After the reserves purchasing ended, tighter supplies of raw materials drove a price rebound in starch products, thus eased loss pressure for operation.

As a leading corn processor in China, the Company steadily developed the downstream products. Sales volume of sweeteners rose year-on-year amid the oversupply of basic cornstarch. Overall revenues for biochemical business decreased year-on-year due to slump in prices of major products compared with the same period last year. To cope with the profit pressures and tough market environment, variety of measures were undertaken by the Company, including cost control and detail-oriented management practice. With its expertise in sourcing and storage facilities, our biochemical business participated in the government's final year of corn reserves purchase, earning extra storage income to boost performance.

Looking ahead to the second half of the year, weak market demand is likely to continue. As domestic corn pricing policy reforms proceed, corn prices in northeastern China will no longer be supported by reserve purchasing. The enterprises located in this main production area are expected to regain the cost advantages. The Company will benefit from the policy adjustment and lead the industry with its premium products to recover profitability.

Biofuel Business

During the first half of 2016, the fuel ethanol business enjoyed year-on-year business improvement and profit turnaround. Operational efficiency was also improved by the Company due to efforts made on materials procurement and production management. To adapt to the reform of domestic corn price policy, the biofuel business implemented a low inventory strategy to effectively mitigate downward price risk. On the other hand, as the main consumption channel for destocking, biofuel business proactively called upon the government to release old inventory from national grain reserves, so as to secure low cost feedstock. By reducing the financing costs through adjusting the amount of capital employed and increasing asset turnover, the biofuel business strengthened performance during the period under review.

During the first half of 2016, international crude oil prices temporarily rebounded above US\$50/bbl, due to the reduced supply, expected demand recovery and favourable global financial conditions. Consequently, the domestic retail gasoline prices saw several price increases, leading to an improvement in the settlement price for our fuel ethanol. Profitability in the segment bottomed out compared with the second half of 2015. Looking ahead to the second half of 2016, corn prices are likely to remain weak due to excess inventory of national corn reserves. The Company will adjust business strategy based on the trends of the international crude oil price in order to restore profitability.

Rice Processing and Trading Business

The Company is a leading packaged rice supplier and China's leading rice importer and exporter. Its packaged rice products are sold under the brands "Fortune" (福临门), "Five Lakes" (五湖) and "Jinying" (金盈) etc. Key markets for international trading business include Japan, South Korea, Hong Kong, Macau and other rice-consuming regions.



During the period under review, domestic paddy price stayed firm as short-grain paddy purchase for national reserves reached at record high. With the slowdown in the China's economic growth, demands of fast-moving consumer goods are declining year-on-year, while rice sales have also declined. However, as consumers are more concerned about food nutrition and safety, the customers' preference from bulking rice to higher-value packaged rice with famous brands is more prevailing. Gross domestic income from packaged rice increased by 3.6% compared to the first half of 2015 while branded and high-end rice became more popular.

In the first half of 2016, China Agri's sales volume for rice processing and trading business totaled 898,000 metric tons, an increase year-on-year. In the face of fierce competition, the Company further expanded its business in branding, import and export trading and providing storage services to the government reserve schemes based on the geographic footprint of our production plants. During the period under review, rice businesses improved performance steadily and contributed HK\$108.3 million

for operating profit. In its branded business, the Company increased investment in new product development and marketing in order to launch differentiated and high-end products. The branding effort incorporated experiential marketing using cultural interaction to reinforce its ability to achieve price premium. Benefiting from sharing the growth opportunities with us, our distributors are expected to expand their business which will contribute to our sustained and stable growth of sales. According to Nielsen NV, "Fortune" (福临门) brand rice products sold through hypermarkets in 13 major cities of China had a 10.7% market share in terms of sales volume, making it a market leader.

In the last six months of 2016, the Company will focus on brand marketing, sales channel expansion and product mix optimisation to increase sales volume and create price premium, which will reinforce our leading brand position. Meanwhile, by leveraging our international trading experience, rice processing and trading business will expand import and export business based on clients need for higher profit contribution.

Wheat Processing Business

The Company 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).



During the first half of 2016, the domestic wheat supply mainly came from the auction of national reserves. As the wheat reserve was sold gradually, tight supply pushed up the prices temporarily. Overcapacity remained a drag for the industry, leading to fierce competition in the downstream products. Facing the challenges of industry-wide losses and volatile market for its side-product, industry players were looking for ways to survive. There exists strong desire for wheat plants to transform business model for a better future by achieving economies of scale and building a strong brand.

The Company has been working to develop integrated operations and professional management in the wheat processing business. By implementing benchmarking management practice, the plants are able to improve flour production technology as well as products quality. With this advanced low-cost production system and focus more on sourcing high-quality feedstock, wheat processing business delivered gross profit margin of 7.6%, an increase of 2.9 percentage points year-on-year. Besides the quality and cost advantages, wheat processing business

also concentrated on developing tailor-made premium products. This strategy satisfied our key strategic customers and boost sales volume of flour and noodle products by 18.4% and 9.3% compared with the corresponding period of last year to 976,000 metric tons and 54,000 metric tons respectively.

Due to the heavy rainfalls during the harvest season, wheat quality of some new crops deteriorated. In the second half of 2016, the high-quality wheat price may remain strong and restrain the profitability of the industry against the backdrop of overcapacity. Based on our competitive advantage of low-cost production system, the Company will strive for higher profit margin by focusing on premium customer service, multi-channels of raw material procurement and cost controls at every point along the supply chain. Meanwhile, by investing more resources to expand sales networks in major cities and online shopping platforms, the wheat processing business will accelerate its business model transformation to adapt to the industry development trend.

Brewing Materials Business

The Company is one of the China's leading suppliers of brewing materials. It is engaged in the production and sales of mid-to-high end malt mainly for domestic market, and also export to other Asian countries and regions.



In the first half of 2016, global barley prices stayed at low level due to ample global supply and low commodity prices. However, tight supply of high-quality barley kept ingredient price at high level as a result of poor-quality harvests in Australia. Weak demand in the domestic beer market and lower beer production put pressure on the margin of the upstream industry. Offsetting the negative trends was the continuing popularity of mid to high-end beer and craft beers, which have become new growth drivers in beer consumption particularly in the young adult market.

During the period under review, sales volume for brewing materials business rose by 15.2% to 406,000 metric tons. For basic products, the Company leveraged its quality service and reputation advantages to maintain the sales volume with the loyal customers. To adapt to the trend of consumption upgrade, the Company also made use

of its production technology advantage to boost the markets of mid-to-high end and export products. With the lean management system, brewing materials business maintained the satisfactory level of profit and returns through managing cost and optimising products portfolio.

Looking ahead to the second half of 2016, the bright spots will be the consumption upgrade as well as major sports events such as Olympic Games, although a continuing slump in overall demand and uncertainty of weather may affect material prices. China Agri's brewing materials business will refine its longstanding strengths – raw materials procurement, quality control, and customer service. Meanwhile, more efforts will be made on product development to roll out mid-to-high end products with differentiated flavour and taste to meet demands from different customers thus winning an upper hand in industry transformation.

FINANCIAL REVIEW

Overview of Financial Results for the Six Months Ended 30 June 2016

Revenue

	For the six months ended 30 June	
	2016 HK\$ million	2015 HK\$ million
Business units:		
Oilseeds processing	21,880.1	19,063.6
Biochemical and biofuel	5,620.3	8,154.4
Rice processing and trading	4,523.9	4,545.1
Wheat processing	4,047.4	4,017.8
Brewing materials	1,650.9	1,455.7
Corporate and others	3,041.8	1,971.1
	40,764.4	39,207.7

For the six months ended 30 June 2016, sales volume of the Group's major products, in particular vegetable oils, rice, flour and feed ingredients, increased 22.2% to 10.795 million metric tons through active market expansion and sales channel development. However, total revenue was impacted by the year-on-year decline in average selling prices of products. As a result, revenue grew 4.0% to HK\$40,764.4 million.

Gross Profit and Gross Profit Margin

During the period, the operating momentum showed an upward and steady trend as the Group's business scale and market share increased substantially. However, the Group's financial performance was periodically affected by the hedging losses of oilseeds processing business on the back of uptrend market. As a result, gross profit of the Group fell 21.9% to HK\$1,762.5 million during the period and the overall gross profit margin declined 1.5 percentage points to 4.3% from a year earlier. For the other businesses of the Group, significant advancement in gross profits were achieved. In particular, the gross profit margin of biochemical and biofuel business rebounded from the trough as it benefited from lower raw material costs and rising selling prices of fuel ethanol. The gross profit and gross profit margin of rice processing and trading business increased year-on-year as a result of significant advancement in branded rice business with prominent profit contributions from import and export trade. The wheat processing business leveraged its advantage of low cost procurement, combined with larger sales volume of its products and higher capacity utilisation rate, gross profit and gross profit margin rose significantly. The sales volume of brewing materials business reached a record high during the period and the business continued to maintain its gross profit at a high level leading the industry.

Management Discussion and Analysis

Other Income and Gains

For the six months ended 30 June 2016, the Group recorded other income and gains of HK\$676.8 million which remained fairly constant with the same period last year. This was attributable to the receipt of government grants by actively participating in the state reserve business amid the market-oriented grains policies.

Selling and Distribution Expenses

During the period, the Group actively expanded its market share and propelled brand building to targeted customers which led to higher advertising and promotion costs. Total selling and distribution expenses increased 4.0% to HK\$1,454.0 million (six months ended 30 June 2015: HK\$1,397.5 million).

Administrative Expenses

The Group continued its efforts on implementing the policies of costs reduction and efficiency enhancement by strictly controlling all kinds of operating expenses. For the six months ended 30 June 2016, administrative expenses remained flat with the same period last year.

Finance Costs

During the period, the Group reduced the average size of loans to minimise financing costs through the measure of detail-oriented management. However, the average borrowing costs went up year-on-year as a result of larger proportion of Renminbi loans with high interest rates in a bid to avert foreign exchange exposure. For the six months ended 30 June 2016, the Group's finance costs were HK\$364.2 million, up 8.0% from a year earlier. An analysis of the finance costs by category is as follows:

	For the six months ended 30 June	
	2016 HK\$ million	2015 HK\$ million
Interest on:		
Bank loans	296.4	284.8
Loans from fellow subsidiaries	18.5	25.6
Loans from the ultimate holding company	50.4	11.3
Convertible bonds	–	17.0
Total interest expenses on financial liabilities not at fair value through profit or loss	365.3	338.7
Less: Interest capitalised	(1.1)	(1.5)
	364.2	337.2

Loss Attributable to Owners of the Company

During the period, the Group posted a year-on-year reduction in loss attributable to owners of the Company of HK\$223.3 million (six months ended 30 June 2015: HK\$269.2 million).

Interim Dividend

The Board does not declare the payment of an interim dividend for the six months ended 30 June 2016 (six months ended 30 June 2015: 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 the accumulated surplus and bank borrowings.

The Group adhered to a sound and stable financial policy and committed externally to develop new funding channels, strengthen fund-raising capability and ensure liquidity of funding. Internally, the Group aimed to raise turnover rate and generate more operating cash flows by reducing the liquid funding on inventories and trade receivables as well as pursuing a centralised cash management on surplus funding. Besides, the Group has adjusted the debt structure and actively carried out hedging activities for the foreign loans in a bid to avert foreign exchange exposure.

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.

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\$7,830.3 million as at 30 June 2016 (31 December 2015: HK\$5,596.9 million). During the period, the Group recorded net cash outflow from operations of approximately HK\$2,359.4 million (year ended 31 December 2015: net cash inflow of HK\$5,497.0 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 amounted to HK\$27,040.3 million (31 December 2015: HK\$22,183.4 million) as at 30 June 2016. 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 2016 HK\$ million	31 December 2015 HK\$ million
Within one year or on demand	25,353.7	20,389.0
In the second year	1,471.6	92.0
In the third to fifth years, inclusive	94.3	1,495.4
Beyond five years	120.7	207.0
	27,040.3	22,183.4

The interest-bearing bank loans carried annual interest rates ranging between 0.70% and 5.65% (31 December 2015: between 0.82% and 6.95%). Other borrowings carried annual interest rates ranging between 1.08% and 4.13% (31 December 2015: between 1.08% and 4.85%). These interest-bearing bank loans and other borrowings were mainly denominated in Hong Kong dollars, Renminbi and United States dollars.

As at 30 June 2016, the Group has pledged assets, including property, plant and equipment and land use rights, with an aggregate carrying value of HK\$240.3 million (31 December 2015: HK\$350.6 million) to secure bank loans and banking facilities of the Group.

The Group had no unutilised committed banking facilities as at 30 June 2016 (31 December 2015: Nil). 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 2016 and 31 December 2015 are set out below:

	30 June 2016	31 December 2015
Net gearing ratio (the ratio of net debts to shareholders' equity)	74.9%	63.0%
Liquidity ratio (the ratio of current assets to current liabilities)	1.06	1.09
Quick ratio (the ratio of current assets less inventories to current liabilities)	0.66	0.61

Net debt represents the Group's total interest-bearing bank loans and other borrowings less cash and cash equivalents and restricted cash at bank. Therefore, net debt of the Group was HK\$19,210.0 million at 30 June 2016 (31 December 2015: HK\$16,586.5 million).

Capital Expenditures

The total capital expenditures of the Group for the period ended 30 June 2016 are tabulated below:

	For the six months ended 30 June	
	2016 HK\$ million	2015 HK\$ million
Business units:		
Oilseeds processing	289.9	314.9
Biochemical and biofuel	123.2	117.2
Rice processing and trading	37.4	47.5
Wheat processing	31.6	22.6
Brewing materials	9.9	1.2
Corporate and others	13.8	43.4
	505.8	546.8

Management Discussion and Analysis

Capital Commitments

Capital commitments contracted but not provided for in the Group's condensed consolidated interim financial information as at 30 June 2016 are set out below. These commitments are to be financed by loans and working capital of the Group.

	30 June 2016 HK\$ million	31 December 2015 HK\$ million
Capital commitments in respect of property, plant and equipment:		
Contracted, but not provided for	786.6	564.8

HUMAN RESOURCES

The Group employed 28,517 (31 December 2015: 28,769) staff as at 30 June 2016. The Group's employees are remunerated based on 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 2016 amounted to approximately HK\$1,119.1 million (six months ended 30 June 2015: HK\$1,120.2 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 approximately HK\$114.8 million (six months ended 30 June 2015: HK\$118.8 million) for the period.

The Company 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 that would encourage them to work towards enhancing the value of the Company and its shares. Please refer to note 15 of the notes to the condensed consolidated interim financial information for details of the share option scheme.

Besides, the Group also encourages employee 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

Looking ahead to the second half of the year, demand for feed ingredients is expected to rebound as hog inventories have begun restocking, underpinning the market demand for relevant products. As market-oriented reforms of pricing policies have initiated, cost pressure on processing business will also be eased by the new harvest of domestic grains. Based on the principles of operational stability and market risk management, the Company will focus on bottom-line improvement by seizing market opportunities. Meanwhile, the Company will refine the management through the entire supply chain and improve the comprehensive operational efficiency, striving for satisfactory results on performance.

Hong Kong, 24 August 2016

Corporate Governance and Other Information

Share Option Scheme

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

1. Share options granted on 31 March 2011

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 2016	Exercised	Lapsed	At 30 June 2016
(A) Directors								
YU Xubo	31-3-2011	8.22	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
MA Wangjun	31-3-2011	8.22	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
SHI Bo	31-3-2011	8.22	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	8.22	31-3-2013	31-3-2013 to 30-3-2018	8,171,800	-	-	8,171,800
			31-3-2014	31-3-2014 to 30-3-2018	8,171,800	-	-	8,171,800
			31-3-2015	31-3-2015 to 30-3-2018	8,171,800	-	-	8,171,800
			31-3-2016	31-3-2016 to 30-3-2018	8,171,800	-	-	8,171,800
			31-3-2017	31-3-2017 to 30-3-2018	8,171,800	-	-	8,171,800
					40,859,000	-	-	40,859,000
(C) Others								
(Former Non-executive Director)	31-3-2011	8.22	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	-
Total					43,244,000	-	636,000	42,608,000

2. Share options granted on 4 December 2015

Category of Participants	Date of grant (d-m-yyyy)	Exercise price per share (HK\$)	Vesting date (Note 1) (d-m-yyyy)	Exercise period (Note 1) (d-m-yyyy)	Number of share options			
					At 1 January 2016	Exercised	Lapsed	At 30 June 2016
(A) Directors								
GU Lifeng	4-12-2015	2.85	4-12-2017	4-12-2017 to 3-12-2020	379,500	-	-	379,500
			4-12-2018	4-12-2018 to 3-12-2020	379,500	-	-	379,500
			4-12-2019	4-12-2019 to 3-12-2020	391,000	-	-	391,000
					1,150,000	-	-	1,150,000
SHI Bo	4-12-2015	2.85	4-12-2017	4-12-2017 to 3-12-2020	379,500	-	-	379,500
			4-12-2018	4-12-2018 to 3-12-2020	379,500	-	-	379,500
			4-12-2019	4-12-2019 to 3-12-2020	391,000	-	-	391,000
					1,150,000	-	-	1,150,000
(B) Employees								
	4-12-2015	2.85	4-12-2017	4-12-2017 to 3-12-2020	43,626,000	-	165,000	43,461,000
			4-12-2018	4-12-2018 to 3-12-2020	43,626,000	-	165,000	43,461,000
			4-12-2019	4-12-2019 to 3-12-2020	44,948,000	-	170,000	44,778,000
					132,200,000	-	500,000	131,700,000
Total					134,500,000	-	500,000	134,000,000

Note:

1. This vesting schedule was approved by shareholders at the annual general meeting of the Company held on 1 June 2016. The fair value of these share options as at 1 June 2016, using the Binomial Option Pricing Model, was HK\$102,238,000.

Additional information in relation to the share option scheme is set out in note 15 of the notes to the condensed consolidated interim financial information.

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

As at 30 June 2016, 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")), as 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 of Hong Kong Limited (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)
YU Xubo	Beneficial owner and interest of spouse ^(Note 3)	235,364	636,000	0.02%
MA Wangjun	Beneficial owner	–	583,000	0.01%
GU Lifeng	Beneficial owner	–	1,150,000	0.02%
SHI Bo	Beneficial owner	48,000	1,680,000	0.03%
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 2016, being 5,249,880,788 shares.
3. 235,364 shares were owned by the spouse of the director concerned.

Corporate Governance and Other Information

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)
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 2016, being 2,797,223,396 shares.

Save as disclosed above, as at 30 June 2016, 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 2016, 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	2,681,315,430	51.07%
COFCO (Hong Kong) Limited	Beneficial owner	364,790,827	6.95%
	Interest of controlled corporations ^(Note 3)	2,681,315,430	51.07%
COFCO Corporation	Interest of controlled corporations ^(Note 4)	3,046,106,257	58.02%

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 2016, being 5,249,880,788 shares.
3. These shares were beneficially owned by Wide Smart Holdings Limited, a company wholly-owned by COFCO (Hong Kong) Limited.
4. These shares were held by Wide Smart Holdings Limited and COFCO (Hong Kong) Limited, a company wholly-owned by COFCO Corporation.

Save as disclosed above, as at 30 June 2016, 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 2016, 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 2016.

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 2016, 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 2016, 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.

Directors Re-elected at the Annual General Meeting

At the annual general meeting of the Company held on 1 June 2016, the Company re-elected Mr. Gu Lifeng and Mr. Shi Bo as executive directors, Mr. Yu Xubo as non-executive director and Mr. Patrick Vincent Vizzone as independent non-executive director. Please refer to Appendix II to the Company's circular dated 29 April 2016 for their biographies and other information.

Review of Interim Results

The unaudited condensed consolidated interim financial information of the Company for the six months ended 30 June 2016 has been reviewed by the Audit Committee of the Company and our external auditors, Ernst & Young.

Investor Relations

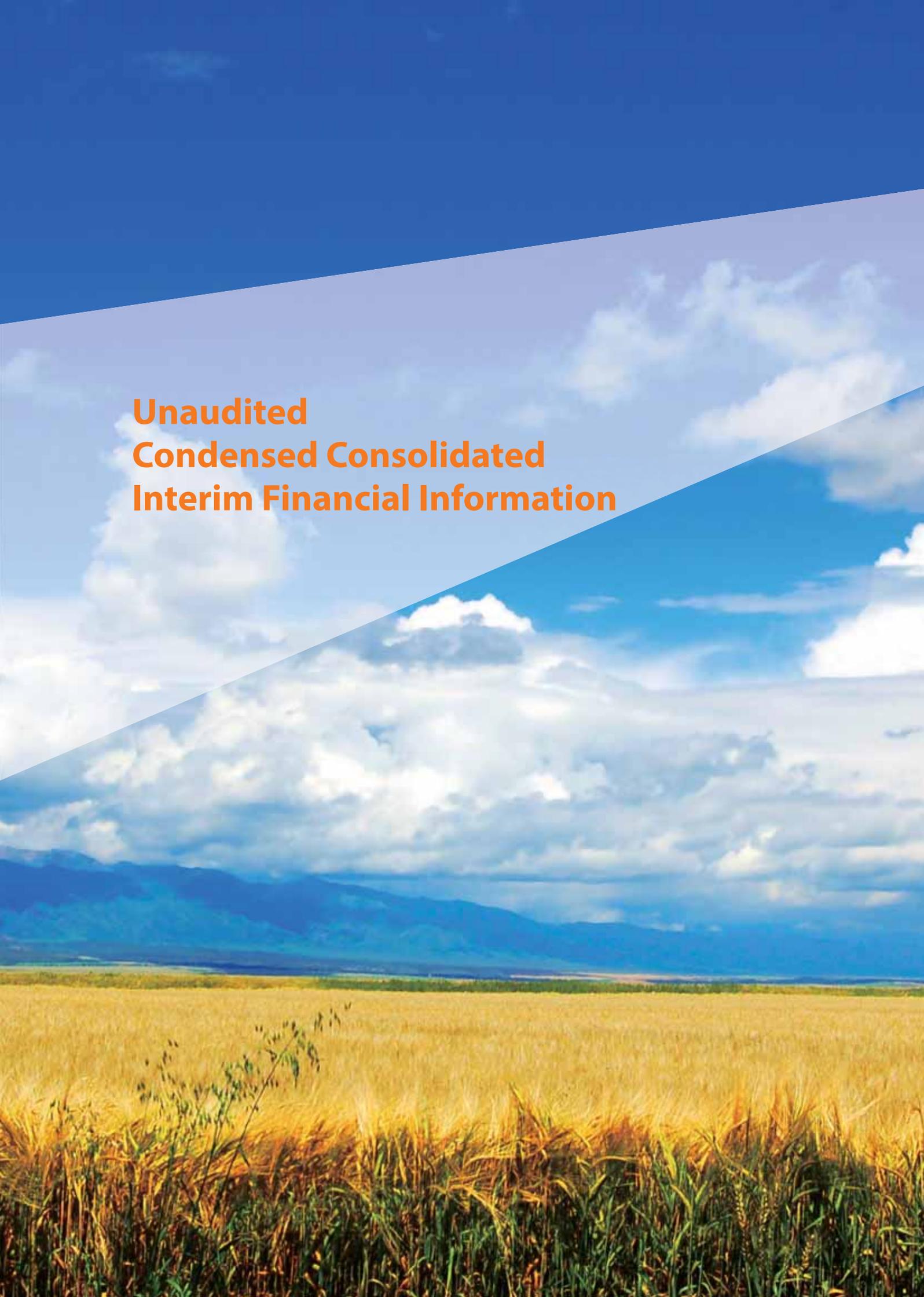
Investor relations has always been an important pillar of China Agri's corporate governance. The Company has a dedicated investor relations team to provide two-way communication between management and the investment community. It effectively updates investors on the Company's latest business developments 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 has maintained consistent and high-quality 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 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 30 June 2016, institutional investors from all over the world accounted for 14% of the total issued shares of the Company. Within this group, Asian-based institutional investors accounted for 42%; institutional investors from North America accounted for 45%; European-based institutional investors accounted for 12%; and the rest of the world made up 1%. The Company maintained a stable and diversified shareholder base.

Moreover, China Agri is a constituent of several key benchmark indices, including the Hang Seng Composite Index, the Hang Seng Global Composite Index, the Hang Seng Composite Industry Indexes, the Hang Seng Composite Size Indexes, the Hang Seng Consumer Goods & Services Index, the Hang Seng Corporate Sustainability Benchmark Index and MSCI Emerging Markets Small Cap Index. As a constituent of Hang Seng Composite LargeCap & MidCap Index, China Agri was honoured to be selected as one of the investment targets for "Shanghai-HK Stock Connection" in the first batch. To appreciate the interests from mainland investors, our investor relations team participated relevant conferences and roadshow to meet with analysts and investors. The Company further raised corporate awareness in capital market with the proactive 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**

Independent Review Report



To the members 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 26 to 61 which comprises the condensed consolidated statement of financial position of China Agri-Industries Holdings Limited (the “Company”) and its subsidiaries as at 30 June 2016 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

24 August 2016

Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2016

		For the six months ended 30 June	
	Notes	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
REVENUE	4	40,764,390	39,207,689
Cost of sales	6	(39,001,908)	(36,951,517)
Gross profit		1,762,482	2,256,172
Other income and gains	4	676,833	553,625
Selling and distribution expenses		(1,454,010)	(1,397,481)
Administrative expenses		(925,351)	(942,148)
Other expenses		(58,020)	(328,181)
Finance costs	5	(364,239)	(337,159)
Share of profits and losses of associates		73,379	46,275
LOSS BEFORE TAX	6	(288,926)	(148,897)
Income tax expense	7	(3,469)	(73,369)
LOSS FOR THE PERIOD		(292,395)	(222,266)
Attributable to:			
Owners of the Company		(223,289)	(269,195)
Non-controlling interests		(69,106)	46,929
		(292,395)	(222,266)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	9		
Basic		(4.25) HK cents	(5.13) HK cents
Diluted		(4.25) HK cents	(5.13) HK cents

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2016

	For the six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
LOSS FOR THE PERIOD	(292,395)	(222,266)
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Exchange difference on translation of foreign operations	(554,168)	26,489
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods	(554,168)	26,489
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(846,563)	(195,777)
Attributable to:		
Owners of the Company	(693,708)	(245,295)
Non-controlling interests	(152,855)	49,518
	(846,563)	(195,777)

Condensed Consolidated Statement of Financial Position

30 June 2016

	Notes	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	22,725,362	23,472,556
Prepaid land premiums		2,613,203	2,709,753
Deposits for purchases of items of property, plant and equipment		96,986	84,251
Goodwill		1,075,471	1,076,489
Investments in associates		2,294,792	2,273,880
Available-for-sale investments		27,895	29,127
Intangible assets		64,131	68,678
Deferred tax assets		763,365	747,882
Total non-current assets		29,661,205	30,462,616
CURRENT ASSETS			
Inventories		17,885,788	16,125,637
Accounts and bills receivables	11	3,422,110	3,422,817
Prepayments, deposits and other receivables		6,372,987	3,789,637
Other receivables due from Sinograin	12	8,308,617	5,332,498
Derivative financial instruments		179,498	110,132
Due from fellow subsidiaries	17	3,349,779	1,898,414
Due from related companies	17	28,246	14,696
Due from the ultimate holding company	17	69,501	609
Due from non-controlling shareholders of subsidiaries	17	45,295	46,836
Due from associates	17	198,955	324,009
Tax recoverable		112,348	128,728
Restricted cash at bank		81,818	157,446
Cash and cash equivalents		7,748,515	5,439,436
Total current assets		47,803,457	36,790,895

Condensed Consolidated Statement of Financial Position

30 June 2016

	Notes	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
CURRENT LIABILITIES			
Accounts and bills payables	13	3,979,427	3,072,376
Other payables and accruals		4,120,765	3,787,119
Deferred income		62,293	61,549
Derivative financial instruments		329,622	129,229
Interest-bearing bank and other borrowings		25,353,702	20,388,988
Bank borrowings due to ADBC	12	8,324,464	5,459,182
Due to fellow subsidiaries	17	2,477,214	608,702
Due to the ultimate holding company	17	224,012	148,049
Due to related companies	17	2,440	45,923
Due to non-controlling shareholders of subsidiaries	17	53,433	53,098
Due to associates	17	23,275	40,022
Tax payable		50,565	39,118
Total current liabilities		45,001,212	33,833,355
NET CURRENT ASSETS		2,802,245	2,957,540
TOTAL ASSETS LESS CURRENT LIABILITIES		32,463,450	33,420,156
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		1,686,573	1,794,414
Due to non-controlling shareholders of subsidiaries	17	200,810	204,845
Deferred income		767,667	774,303
Deferred tax liabilities		53,553	66,811
Other non-current liabilities		26,565	26,547
Total non-current liabilities		2,735,168	2,866,920
Net assets		29,728,282	30,553,236
EQUITY			
Equity attributable to owners of the Company			
Share capital	14	9,771,664	9,771,664
Other reserves		15,880,976	16,552,979
		25,652,640	26,324,643
Non-controlling interests		4,075,642	4,228,593
Total equity		29,728,282	30,553,236

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2016

	Attributable to owners of the Company									Total equity HK\$'000 (unaudited)
	Notes	Share capital	Capital reserve	Employee share-based compensation reserve	Reserve funds	Exchange fluctuation reserve	Retained profits	Total	Non-controlling interests	
		HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	
At 1 January 2016		9,771,664	4,894,041*	165,804*	1,296,312*	1,892,157*	8,304,665*	26,324,643	4,228,593	30,553,236
Total comprehensive loss for the period		-	-	-	-	(470,419)	(223,289)	(693,708)	(152,855)	(846,563)
Transfer from retained profits		-	-	-	13,553	-	(13,553)	-	-	-
Acquisition of non-controlling interests		-	96	-	-	-	-	96	(96)	-
Equity-settled share option arrangements	15	-	-	21,609	-	-	-	21,609	-	21,609
At 30 June 2016		9,771,664	4,894,137*	187,413*	1,309,865*	1,421,738*	8,067,823*	25,652,640	4,075,642	29,728,282

	Attributable to owners of the Company										
	Notes	Share capital	Capital reserve	Equity component of convertible bonds	Employee share-based compensation reserve	Reserve funds	Exchange fluctuation reserve	Retained profits	Total	Non-controlling interests	Total equity
		HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (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	16	-	-	-	-	-	-	-	-	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	15	-	-	-	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

* These reserve accounts comprise the consolidated reserves of HK\$15,880,976,000 (31 December 2015: HK\$16,552,979,000) in the condensed consolidated statement of financial position.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2016

	Notes	For the six months ended 30 June	
		2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(288,926)	(148,897)
Adjustments for:			
Finance costs	5	364,239	337,159
Write-down of inventories to net realisable value	6	51,906	258,665
Provision for loss on non-cancellable purchase commitments	6	9,244	190,248
Loss on disposal of items of property, plant and equipment	6	2,913	485
Depreciation and amortisation	6	774,849	832,595
Recognition of prepaid land premiums	6	34,001	33,963
Share of profits and losses of associates		(73,379)	(46,275)
Interest income	4	(54,545)	(144,521)
Unrealised loss/(gain) on derivative financial instruments		151,505	(259,662)
Gain on bargain purchase	4	–	(4,337)
Government grants	4	(330,744)	(257,762)
Equity-settled share option expense	15	21,609	7,538
Others		41,217	11,018
		703,889	810,217
Increase in inventories		(2,151,466)	(700,275)
Increase in accounts and bills receivables		(67,335)	(286,347)
Increase in prepayments, deposits and other receivables		(2,690,547)	(1,103,290)
Decrease/(increase) in amounts due from fellow subsidiaries		(1,493,108)	405,182
Decrease/(increase) in amounts due from associates		(45,358)	130,492
Decrease/(increase) in amounts due from related companies		(13,978)	580,142
Decrease/(increase) in derivative financial instruments		(16,143)	501,577
Increase in accounts and bills payables		963,020	1,310,322
Increase in other payables and accruals		563,900	53,020
Increase in amounts due to fellow subsidiaries		1,899,297	31,283
Government grants received		362,127	136,901
Others		(49,690)	46,961

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2016

	Notes	For the six months ended 30 June	
		2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Cash generated from/(used in) operations		(2,035,392)	1,916,185
Interest received		54,545	144,521
Interest paid		(364,239)	(326,176)
Income tax paid		(14,269)	(301,518)
Net cash flows from/(used in) operating activities		(2,359,355)	1,433,012
CASH FLOWS FROM INVESTING ACTIVITIES			
Decrease/(increase) in restricted cash at bank		74,827	(86,903)
Acquisition of subsidiaries	16	–	(184,748)
Dividends from associates		27,967	50,597
Proceeds from disposal of items of property, plant and equipment and intangible assets		12,831	11,388
Purchases of items of property, plant and equipment		(562,367)	(694,303)
Additions to intangible assets		–	(4,059)
Receipts of government grants		19,248	8,851
Redemption of bank wealth management products		–	247,864
Decrease in loans to a fellow subsidiary		165,194	–
Others		(5,317)	(16)
Net cash flows used in investing activities		(267,617)	(651,329)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		35,928,271	50,415,442
New other loans		5,445,467	4,877,415
Repayments of bank loans		(30,999,187)	(50,891,440)
Repayments of other loans		(5,224,322)	(4,556,769)
Decrease in cash from discounting bank letter of credit		–	(1,899,635)
Others		(110,548)	109,242
Net cash flows from/(used in) financing activities		5,039,681	(1,945,745)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		2,412,709	(1,164,062)
Cash and cash equivalents at beginning of period		5,439,436	12,551,444
Effect of foreign exchange rate changes, net		(103,630)	10,838
CASH AND CASH EQUIVALENTS AT END OF PERIOD		7,748,515	11,398,220

Notes to the Condensed Consolidated Interim Financial Information

30 June 2016

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, COFCO 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 2015.

The financial information relating to the year ended 31 December 2015 that is included in these unaudited condensed consolidated interim financial information for the six months ended 30 June 2016 as comparative information does not constitute the statutory annual consolidated financial statements of the Company for that year but is derived from those consolidated financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Chapter 622) is as follows:

The Company has delivered the consolidated financial statements for the year ended 31 December 2015 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Chapter 622).

The Company's auditor has reported on those consolidated financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance (Chapter 622).

2.2 ADOPTION OF NEWLY REVISED ACCOUNTING POLICIES AND DISCLOSURES AND APPLICATION OF HEDGE ACCOUNTING

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 2015, 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 HKFRS 10, HKFRS 12 and HKAS 28 (2011)	<i>Investment Entities: Applying the Consolidation Exception</i>
Amendments to HKFRS 11	<i>Accounting for Acquisitions of Interests in Joint Operations</i>
Amendments to HKAS 1	<i>Disclosure Initiative</i>
Amendments to HKAS 16 and HKAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>
Amendments to HKAS 27 (2011)	<i>Equity Method in Separate Financial Statements</i>
<i>Annual Improvements 2012-2014 Cycle</i>	Amendments to a number of HKFRSs

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

Other than the above revised HKFRSs, the Group determined to apply hedge accounting for certain foreign currency forward contracts used to hedge for the Group's transactional currency exposures. Hedges which meet the criteria for hedge accounting are accounted for prospectively on 1 January 2016 as follows:

Fair value hedges

The gain or loss from remeasuring the hedging instrument at fair value is recognised in profit or loss. The gain or loss on the hedged item attributable to the hedged risk will adjust the carrying amount of the hedged item and be recognised in profit or loss.

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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, 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 six months ended 30 June 2016, revenue from continuing operations of approximately HK\$4,904,699,000 was derived from sales by the oilseeds processing, rice processing and trading and biochemical and biofuel segments to a single customer. During the six months ended 30 June 2015, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue.

Geographical information

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

3. OPERATING SEGMENT INFORMATION (continued)

The following tables present revenue and profit/(loss) information regarding the Group's operating segments for the six months ended 30 June 2016 and 2015.

Six months ended 30 June 2016

	Oilseeds processing HK\$'000 (Unaudited)	Biochemical and biofuel HK\$'000 (Unaudited)	Rice processing and trading HK\$'000 (Unaudited)	Wheat processing HK\$'000 (Unaudited)	Brewing materials HK\$'000 (Unaudited)	Corporate and others HK\$'000 (Unaudited)	Eliminations HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Segment revenue:								
Sales to external customers	21,880,130	5,620,283	4,523,851	4,047,415	1,650,922	3,041,789	-	40,764,390
Intersegment sales	242,706	105,573	5,020	3,303	6,605	74,140	(437,347)	-
Other revenue	163,934	386,365	83,093	24,143	7,856	11,123	(54,226)	622,288
Segment results	(404,035)	153,687	108,301	40,574	153,046	(104,166)	(18)	(52,611)
Interest income								54,545
Finance costs								(364,239)
Share of profits and losses of associates								73,379
Loss before tax								(288,926)
Income tax expense								(3,469)
Loss for the period								(292,395)
Other segment information:								
Depreciation and amortisation	304,725	290,378	89,902	49,872	40,068	33,905	-	808,850
Capital expenditure	289,921	123,156	37,453	31,606	9,870	13,816	-	505,822
As at 30 June 2016								
Assets and liabilities								
Segment assets	30,669,251	19,173,786	7,372,132	3,730,636	3,191,641	18,189,939	(15,863,561)	66,463,824
Corporate and other unallocated assets								11,000,838
Total assets								77,464,662
Segment liabilities	14,222,710	13,268,160	4,311,131	1,796,063	685,461	2,172,023	(15,863,561)	20,591,987
Corporate and other unallocated liabilities								27,144,393
Total liabilities								47,736,380

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3. OPERATING SEGMENT INFORMATION (continued)

Six months ended 30 June 2015

	Oilseeds processing HK\$'000 (Unaudited)	Biochemical and biofuel HK\$'000 (Unaudited)	Rice processing and trading HK\$'000 (Unaudited)	Wheat processing HK\$'000 (Unaudited)	Brewing materials HK\$'000 (Unaudited)	Corporate and others HK\$'000 (Unaudited)	Eliminations HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Segment revenue:								
Sales to external customers	19,063,597	8,154,365	4,545,072	4,017,844	1,455,670	1,971,141	-	39,207,689
Intersegment sales	212,114	94,789	2,023	7,471	8,137	42,560	(367,094)	-
Other revenue	45,797	278,999	62,132	8,892	6,960	12,234	(10,247)	404,767
Segment results	(277,774)	179,487	24,202	(34,314)	186,586	(81,995)	(3,063)	(6,871)
Interest income								144,521
Gain on bargain purchase								4,337
Finance costs								(337,159)
Share of profits and losses of associates								46,275
Loss before tax								(148,897)
Income tax expense								(73,369)
Loss for the period								(222,266)
Other segment information:								
Depreciation and amortisation	319,854	316,594	98,460	56,323	44,315	31,012	-	866,558
Capital expenditure	314,927	117,162	47,469	22,639	1,173	43,436	-	546,806
As at 31 December 2015								
Assets and liabilities								
Segment assets	23,846,674	17,016,982	8,006,429	3,928,177	3,432,644	17,741,938	(15,466,705)	58,506,139
Corporate and other unallocated assets								8,747,372
Total assets								67,253,511
Segment liabilities	10,332,312	10,599,513	3,974,657	1,965,002	682,743	2,323,422	(15,466,705)	14,410,944
Corporate and other unallocated liabilities								22,289,331
Total liabilities								36,700,275

4. REVENUE, OTHER INCOME AND GAINS

Revenue 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	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Other income		
Government grants*	330,744	257,762
Storage income from agency purchase (note 12)	148,346	89,295
Logistic service and storage income	50,292	8,504
Interest income	54,545	144,521
Others	25,196	29,686
	609,123	529,768
Gains		
Gains on disposal of raw materials, by-products and scrap items	13,760	19,520
Realised and unrealised fair value gains on foreign currency forward contracts, net	53,950	–
Gain on bargain purchase (note 16)	–	4,337
	67,710	23,857
	676,833	553,625

* 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. Certain subsidiaries are entitled to government grants based on the quantity of fuel ethanol produced and sold in certain provinces in Mainland China. An amount of HK\$8,801,000 (six months ended 30 June 2015: HK\$39,298,000) has been included in the government grants for the period. Furthermore, during the period, subsidies of HK\$181,752,000 (six months ended 30 June 2015: HK\$136,890,000) were granted to certain subsidiaries of the Group based on the quantities of corn purchased and processed in certain provinces in Mainland China within a designated duration. 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.

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5. FINANCE COSTS

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

	For the six months ended 30 June	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Interest on:		
Bank loans	296,480	284,816
Loans from fellow subsidiaries	18,485	25,628
Loans from the ultimate holding company	50,408	11,252
Convertible bonds	–	17,016
Total interest expenses on financial liabilities not at fair value through profit or loss	365,373	338,712
Less: Interest capitalised	(1,134)	(1,553)
	364,239	337,159

6. LOSS BEFORE TAX

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

	For the six months ended 30 June	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Cost of inventories sold or services provided	37,667,327	37,232,978
Realised and unrealised fair value losses/(gains) of commodity futures contracts, net	1,273,431	(730,374)
Write-down of inventories to net realisable value	51,906	258,665
Provision for loss on non-cancellable purchase commitments*	9,244	190,248
Cost of sales	39,001,908	36,951,517
Depreciation	771,652	828,673
Amortisation of intangible assets	3,197	3,922
Recognition of prepaid land premiums	34,001	33,963
Employee benefit expenses (including directors' and chief executive's remuneration)	1,119,077	1,120,235
Loss on disposal of items of property, plant and equipment (note 10)	2,913	485
Loss on foreign exchange, net	37,043	275,003
Realised and unrealised fair value losses/(gains) on foreign currency forward contracts, net	(53,950)	44,266

* It is the Group's usual practice to enter into purchase commitments with delivery of raw materials at a specified future date. As at 30 June 2016, the Group had certain non-cancellable purchase commitments of raw materials (the "Purchase Contracts") on which the Group expects that the unavoidable costs of meeting obligations under the Purchase Contracts will exceed the economic benefits expected to be received under it. The expected loss of HK\$9,244,000 (six months ended 30 June 2015: HK\$190,248,000) is estimated 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 2016. 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

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7. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2015: 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%. Tax holidays were also granted by the relevant authority to a subsidiary of the Group, 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	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Current – Hong Kong		
Charge for the period	109	2,661
Current – Mainland China		
Charge for the period	41,816	37,188
Over-provision in prior periods	(1,332)	(10,021)
Deferred tax	(37,124)	43,541
Total tax charge for the period	3,469	73,369

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.

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 2016 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 2015: 5,249,880,788 ordinary shares) in issue during the period.

For the six months ended 30 June 2015 and 2016, 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 (if any) 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	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Loss attributable to ordinary equity holders of the Company used in the basic and diluted loss per share calculations	(223,289)	(269,195)

Number of shares

	For the six months ended 30 June	
	2016 (Unaudited)	2015 (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

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10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2016, the Group acquired items of property, plant and equipment with a total cost of HK\$500,505,000 (six months ended 30 June 2015: HK\$277,195,000), not including property, plant and equipment acquired through business combinations.

Items of property, plant and equipment with a net book value of HK\$17,552,000 (six months ended 30 June 2015: HK\$12,643,000) were disposed of by the Group during the six months ended 30 June 2016, resulting in a net loss on disposal of HK\$2,913,000 (six months ended 30 June 2015: net loss on disposal of HK\$485,000).

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 to minimise credit risk. Overdue balances are reviewed regularly by the 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 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
Within 3 months	3,155,525	3,285,020
3 to 12 months	244,161	125,008
1 to 2 years	16,293	10,769
Over 2 years	6,131	2,020
	3,422,110	3,422,817

12. AGENCY PURCHASE OF GRAINS

Pursuant to the Fagaidian [2013] No. 229, Guoliangtiao [2013] No. 265, Guoliangtiao [2014] No. 254 and Guoliangtiao [2015] No.169 issued by certain China government authorities (the "Notices"), during the period from 30 November 2013 to 30 April 2014, the period from 30 November 2014 to 30 April 2015 and the period from 1 November 2015 to 30 April 2016 (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 2016, 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\$8,308,617,000 (31 December 2015: HK\$5,332,498,000) and HK\$8,324,464,000 (31 December 2015: HK\$5,459,182,000), 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\$148,346,000 (six months ended 30 June 2015: HK\$89,295,000) (note 4), which is recorded as other income in the condensed consolidated statement of profit or loss.

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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 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
Within 3 months	3,451,415	2,886,631
3 to 12 months	502,534	166,193
1 to 2 years	9,876	10,889
Over 2 years	15,602	8,663
	3,979,427	3,072,376

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

14. SHARE CAPITAL

	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
Issued and fully paid:		
5,249,880,788 (31 December 2015: 5,249,880,788) ordinary shares	9,771,664	9,771,664

15. 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.

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 general meetings.

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 of the 2011 Options 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 price and the outstanding number of share options of the 2011 Options had been adjusted (the "Adjustments") as a result of the rights issue of the Company made in 2012. After the Adjustments, the exercise price of the 2011 Options is HK\$8.220 per share, and the outstanding number of share options of the 2011 Options has been increased by 2,646,000 shares.

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15. SHARE OPTION SCHEME (continued)

On 4 December 2015, a total of 134,500,000 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 "2015 Options"), the vesting schedule of which was approved by the Company's shareholders in the annual general meeting on 1 June 2016. The 2015 Options have an exercise price of HK\$2.850 per share and an exercise period from 4 December 2017 to 3 December 2020. The closing price of the Company's share of the 2015 Options on 1 June 2016 was HK\$2.560 per share.

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

	2016		2015	
	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	43,244	8.220	43,583
Forfeited during the period	8.220	(636)	8.220	(212)
At 30 June	8.220	42,608	8.220	43,371

The vesting periods, exercise price and exercise periods of the 2011 Options outstanding as at 30 June 2016 and 30 June 2015 are as follows:

2016		2015	Exercise price per share* HK\$	Exercise period (dd-mm-yyyy)
Number of options granted* '000	Vesting period (dd-mm-yyyy)	'000		
8,521	31-3-2011 to 30-3-2013	8,691	8.220	31-3-2013 to 30-3-2018
8,521	31-3-2011 to 30-3-2014	8,691	8.220	31-3-2014 to 30-3-2018
8,522	31-3-2011 to 30-3-2015	8,691	8.220	31-3-2015 to 30-3-2018
8,522	31-3-2011 to 30-3-2016	8,649	8.220	31-3-2016 to 30-3-2018
8,522	31-3-2011 to 30-3-2017	8,649	8.220	31-3-2017 to 30-3-2018
42,608		43,371		

* 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.

15. SHARE OPTION SCHEME (continued)

The following 2015 Options were outstanding under the Scheme during the period:

	2016		2015	
	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	2.850	134,500	–	–
Forfeited during the period	2.850	(500)	–	–
At 30 June	2.850	134,000	–	–

The vesting periods, exercise price and exercise periods of the 2015 Options outstanding as at 30 June 2016 and 30 June 2015 are as follows:

2016	2015	Vesting period (dd-mm-yyyy)	Exercise price per share* HK\$	Exercise period (dd-mm-yyyy)
Number of options granted* '000	'000			
44,220	–	4-12-2015 to 3-12-2017	2.850	4-12-2017 to 3-12-2020
44,220	–	4-12-2015 to 3-12-2018	2.850	4-12-2018 to 3-12-2020
45,560	–	4-12-2015 to 3-12-2019	2.850	4-12-2019 to 3-12-2020
134,000	–			

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

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15. SHARE OPTION SCHEME (continued)

The aggregate fair values of the 2011 Options and 2015 Options granted during prior years were amounted to approximately HK\$275,854,000 of which the Group recognised share option expenses of HK\$21,609,000 during the period (six months ended 30 June 2015: HK\$7,538,000).

The fair values of the equity-settled share options were estimated as at the date of grant, 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	2015 Options
Date of grant	31 March 2011	1 June 2016
Dividend yield (%)	1.43	1.49
Expected volatility (%)	47.49	43.09
Historical volatility (%)	47.49	–
Risk-free interest rate (%)	2.369	1.00
Expected life of options (year)	7.0	5.0
Closing share price (HK\$ per share)	8.72	2.56

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 176,608,000 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 176,608,000 additional ordinary shares of the Company and additional share capital of approximately HK\$732,137,760 (before issue expenses).

At the date of the approval of these financial statements, the Company had 176,308,000 share options outstanding under the Scheme, which represented approximately 3.4% of the Company's shares in issue as at that date.

16. BUSINESS COMBINATIONS

Business combinations for the six months ended 30 June 2016

No business combination incurred during the six months ended 30 June 2016.

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 "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.

The fair value of the identifiable assets and liabilities of Lishan Tech at the date of acquisition were as follows:

	Fair value recognised on acquisition HK\$'000
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	(4,337)
	199,331
Satisfied by:	
Cash	199,331

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16. BUSINESS COMBINATIONS (continued)

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

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

	For the six months ended 30 June 2015 HK\$'000
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.

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

17. 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	
		2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Transactions with fellow subsidiaries:			
Sales of goods	(i)	5,322,550	5,557,015
Purchases of goods	(i)	16,816,934	5,663,609
Operating lease rental paid	(i)	2,895	1,715
Interest expense	(ii)	18,485	25,628
Brokerage fee paid	(i)	3,506	4,693
Logistics service and storage expense	(i)	11,646	8,936
Processing service and other income	(i)	–	5,222
Transactions with the ultimate holding company:			
Operating lease rental paid	(i)	21,232	10,487
Interest expense	(ii)	50,408	11,252
Transactions with associates:			
Sales of goods	(i)	137,300	134,847
Purchases of goods	(i)	43,518	62,689
Interest income	(iii)	3,819	4,605
Other service expenses	(i)	419	5,416
Other service income	(i)	13,829	12,479
Transactions with related companies [#] :			
Sales of goods	(i)	342,100	78,579
Purchases of goods	(i)	348,376	94,468
Transactions with non-controlling shareholders of subsidiaries:			
Sales of goods	(i)	170,139	345,241
Purchases of goods	(i)	1,222	18,419

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

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17. RELATED PARTY TRANSACTIONS (continued)

(a) Transactions with related parties (continued)

Notes:

- (i) For six months ended 30 June 2015 and 2016, 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.
- (ii) The interest expense to fellow subsidiaries arose from loans from fellow subsidiaries, which were unsecured and bore interest rates ranged from 0.90% to 4.6% per annum (six months ended 30 June 2015: 0.79% 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 rates ranged from 1.08% to 3.80% per annum (six months ended 30 June 2015: 5.0% per annum).
- (iii) For the six months ended 30 June 2016, the interest income from associates arose from loans to an associate, which were unsecured and bore interest at rates ranged from 3.92% to 4.82% per annum (six months ended 30 June 2015: 4.0% to 4.82% 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\$816,689,000 (31 December 2015: HK\$1,717,224,000) bore interest at rates ranged from 3.92% to 4.13% per annum (31 December 2015: 1.16% to 4.6% per annum) and will be repaid within one year. Loans from the ultimate holding company of HK\$3,627,131,000 (31 December 2015: HK\$2,637,924,000) bore interest at rates ranged from 1.08% to 3.80% per annum (31 December 2015: 1.08% to 3.80% 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 12 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\$118,174,000 (31 December 2015: HK\$283,368,000) included in current assets, which are unsecured and bore interest at rates of 3.92% and 4.35% per annum (31 December 2015: 4.35% and 4.82% per annum).
- (3) Amounts due to non-controlling shareholders of subsidiaries of HK\$200,810,000 (31 December 2015: HK\$204,845,000) are financing in nature and not repayable within one year from the end of the reporting period.

17. RELATED PARTY TRANSACTIONS (continued)

(c) Commitments with related parties

During the period ended 30 June 2016, 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\$5,042,025,000. The Group expects that these transactions will be taken place in the second half of 2016.

During the period ended 30 June 2015, the Group entered into purchase agreements with 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. These transactions had been taken place in the second half of 2015.

The amount of total transactions with related parties for the reporting period is included in note 17(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	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Short term employee benefits	5,441	4,472
Post-employment benefits	266	185
Equity-settled share option expense	1,303	776
Total compensation paid to key management personnel	7,010	5,433

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17. 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.

18. 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 five 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 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
Within one year	40,327	38,042
In the second to fifth years, inclusive	10,808	10,867
After five years	38,784	40,643
	89,919	89,552

19. CAPITAL COMMITMENTS

In addition to the operating lease commitments detailed in note 18 above, the Group had the following capital commitments at the end of the reporting period:

	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
Capital commitments in respect of property, plant and equipment:		
Contracted, but not provided for	786,643	564,764

20. OTHER COMMITMENTS

(a) Commitments under commodity futures contracts:

	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
Sales contracts	16,533,524	6,316,041
Purchases contracts	368,508	339,508

(b) Commitments under foreign currency forward contracts:

As at 30 June 2016, the Group has commitments under foreign currency forward contracts of sales with aggregate notional amounts of HK\$5,259,000,000 (31 December 2015: HK\$2,970,617,000) and contracts of purchase with an aggregate notional amount of HK\$10,240,805,000 (31 December 2015: HK\$8,083,276,000).

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21. 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 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
Financial assets				
Derivative financial instruments	179,498	110,132	179,498	110,132
Financial liabilities				
Derivative financial instruments	329,622	129,229	329,622	129,229
Interest-bearing bank and other borrowings	27,040,275	22,183,402	26,999,420	22,101,206
	27,369,897	22,312,631	27,329,042	22,230,435

Management has assessed that the fair values of cash and cash equivalents, restricted cash at bank, trade receivables, trade and bills payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, amounts due from/to related parties 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.

21. 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 Group's own non-performance risk for derivative financial liabilities, interest-bearing bank and other borrowings as at 30 June 2016 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 2016, 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.

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21. 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 HK\$'000 (Unaudited)
	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	
<i>As at 30 June 2016</i>				
	(Level 1) HK\$'000 (Unaudited)	(Level 2) HK\$'000 (Unaudited)	(Level 3) HK\$'000 (Unaudited)	
Derivative financial instruments	179,498	–	–	179,498
<i>As at 31 December 2015</i>				
	(Level 1) HK\$'000 (Audited)	(Level 2) HK\$'000 (Audited)	(Level 3) HK\$'000 (Audited)	Total HK\$'000 (Audited)
Derivative financial instruments	110,132	–	–	110,132

21. FAIR VALUE AND FAIR VALUE HIERARCHY (continued)

Fair value hierarchy (continued)

Liabilities measured at fair value

	Fair value measurement using			Total HK\$'000 (Unaudited)
	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	
<i>As at 30 June 2016</i>				
	(Level 1) HK\$'000 (Unaudited)	(Level 2) HK\$'000 (Unaudited)	(Level 3) HK\$'000 (Unaudited)	
Derivative financial instruments	329,622	–	–	329,622
<i>As at 31 December 2015</i>				
	(Level 1) HK\$'000 (Audited)	(Level 2) HK\$'000 (Audited)	(Level 3) HK\$'000 (Audited)	Total HK\$'000 (Audited)
Derivative financial instruments	129,229	–	–	129,229

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21. FAIR VALUE AND FAIR VALUE HIERARCHY (continued)

Fair value hierarchy (continued)

Liabilities for which fair values are disclosed

	Fair value measurement using			Total HK\$'000 (Unaudited)
	Quoted prices in active markets (Level 1) HK\$'000 (Unaudited)	Significant observable inputs (Level 2) HK\$'000 (Unaudited)	Significant unobservable inputs (Level 3) HK\$'000 (Unaudited)	
<i>As at 30 June 2016</i>				
Interest-bearing bank and other borrowings	-	26,999,420	-	26,999,420
<i>As at 31 December 2015</i>				
Interest-bearing bank and other borrowings	-	22,101,206	-	22,101,206

22. 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 24 August 2016.



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