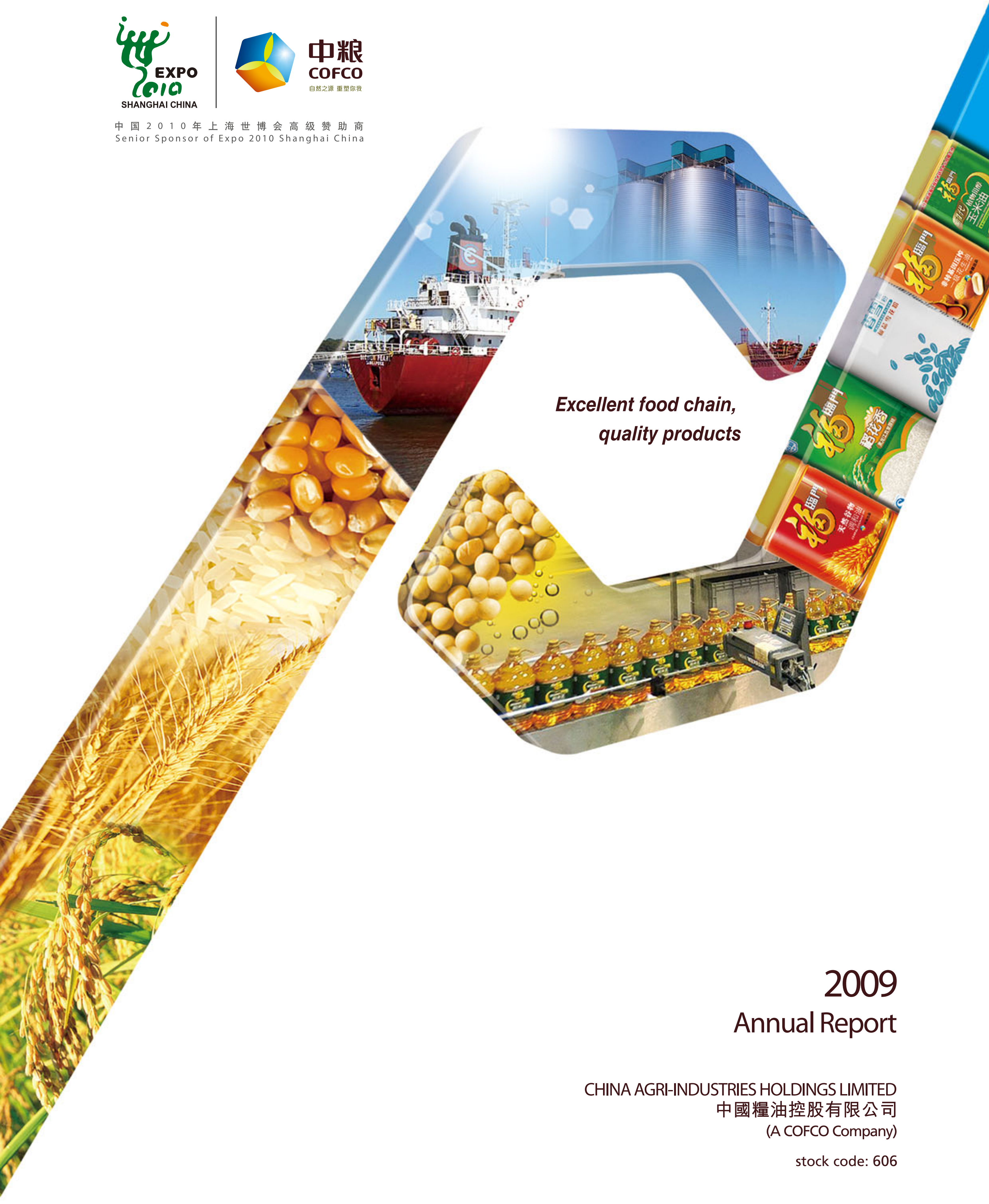
中国2010年上海世博会高级赞助商
Senior Sponsor of Expo 2010 Shanghai China



Excellent food chain,
quality products

2009
Annual Report

CHINA AGRI-INDUSTRIES HOLDINGS LIMITED
中國糧油控股有限公司
(A COFCO Company)

stock code: 606

China Agri at a glance

Company Information	Oilseeds processing business	Biofuel and biochemical business
Business Description	The second largest edible oil and oilseeds meal producer in China	A leading fuel ethanol producer with the first and only non-food grain production line in China. One of the largest biochemical producers in China
Products	Edible oils and oilseeds meals	Biofuel: Fuel ethanol, consumable ethanol Biochemical: Corn starch, sweetener and feed ingredients
Brands	福掌櫃, 五湖 (Five Lakes Feed), 天耕, 艾維 (Avalon), 大一, 福之源, 谷花, 魯蒙, XIANGRUI, 喜盈盈	
2009 Performance		
2009 Operating Highlights	• The biggest contributor to the Company's business, accounting for 61.2% of revenue and 48.7% of operating profit • Through the effective hedging policy, the risk of price fluctuations for raw material and related products was reduced • Raising the market share by expanding and increasing the production capacity under the strategic planning	• Boosting sales volume of the products through implementation of effective cost control measures and increase in production capacity of the investment projects during the year
2009 Revenue 2009 GP Margin 2009 OP Margin	• HK$26,811.8 million • 4.3% • 3.9%	• HK$7,750.6 million • 11.6% • 9.8%
2010 Outlook		
Mission for Year 2010	Move forward new projects; set down new strategies for rapeseed and palm oils to extend our lead in the market	Ongoing enhancement in operations to boost product quality, production capacity and operational efficiency
2009 Disclosed Projects	Establishment of new companies with COFCO Corporation ("COFCO") • Zhangjiagang COFCO East Ocean Storage Co., Ltd. (Total investment and the registered capital: RMB336,000,000; total commitment of the Company: RMB241,050,000) • Hubei COFCO Xiangrui Oils & Grains Storage Co., Ltd. (Total investment and the registered capital: RMB35,600,000; total commitment of the Company: RMB26,110,000) Establishment of new company with COFCO and Tianjin Lingang Industry Port Corporation • Tianjin COFCO Excel Joy Oils and Grains Terminal Co., Limited (Total investment: RMB409,830,000; the registered capital: RMB260,000,000; total commitment of the Company: RMB136,000,000)	

Company Information	Rice trading and processing business	Wheat processing business	Brewing materials business
Business Description	China's largest rice exporter and leading supplier of packaged rice, primarily engaging in the trading and processing of white and parboiled rice	The largest wheat processor in China engaging in the processing and distribution of flour and other flour products such as bread and noodles	The second largest brewing material supplier in China engaging in the production and distribution of malt from barley
Products	Parboiled rice, white rice	Flour, noodles, bread	Malt
Brands	五湖 (Wuhu), 薪 (Xin), 東海明珠 (Donghai Mingzhu), 紅楓 (Hongfeng)	香雪 (Xiangxue), 神象 (Shenxiang)	
2009 Performance			
2009 Operating Highlights	• The domestic sales become a key driver for growth notwithstanding the Group remains as the largest rice exporter in China • Through effective sales strategy, satisfactory sales channels, product mix and brand building, a solid foundation was secured for domestic sales business	• Benefit from the economies of scale and differentiated sales strategies for customers • Expanding our flour capacity and market share by adjusting our product mix	• Sluggish demand of its products and sharp decreases in prices of raw materials and its products under the financial crisis in 2009
2009 Revenue 2009 GP Margin 2009 OP Margin	• HK$4,106.8 million • 18.0% • 8.2%	• HK$3,661.0 million • 9.3% • 3.1%	• HK$1,497.8 million • 7.6% • 0.5%
2010 Outlook			
Mission for Year 2010	Improve export business to support higher production capacity; expand market share through stronger brand positioning and sales network enhancement	Improve production capacity and product quality to drive market share	Improve product quality and market share through organic growth, supported by sustained enhancement in management and operational efficiency
2009 Disclosed Projects			

Contents

Corporate Information

Directors

Chairman of the Board and Non-executive Director
NING Gaoning

Executive Directors
YU Xubo *(Managing Director)*
LU Jun *(Vice President)*
YUE Guojun *(Vice President)*

Non-executive Directors
CHI Jingtao
MA Wangjun

Independent Non-executive Directors
LAM Wai Hon, Ambrose
Victor YANG
Patrick Vincent VIZZONE

Audit Committee
LAM Wai Hon, Ambrose *(Chairman)*
Victor YANG
MA Wangjun
CHI Jingtao
Patrick Vincent VIZZONE

Remuneration Committee
CHI Jingtao *(Chairman)*
MA Wangjun
LAM Wai Hon, Ambrose
Victor YANG
Patrick Vincent VIZZONE

Nomination Committee
NING Gaoning *(Chairman)*
CHI Jingtao
LAM Wai Hon, Ambrose
Victor YANG
Patrick Vincent VIZZONE

Executive Committee
YU Xubo *(Chairman)*
LU Jun
YUE Guojun

Qualified Accountant
CHAN Ka Lai Vanessa

Company Secretary
CHO Wing Han

Auditors
Ernst & Young
Certified Public Accountants

Legal Advisor
Herbert Smith LLP

Principal Bankers
Industrial and Commercial Bank of China Limited
China Construction Bank Corporation
Bank of China Limited
Agricultural Bank of China Limited
Rabobank International (Hong Kong Branch)
Bank of China (Hong Kong) Limited
Australia and New Zealand Banking Group Limited
Standard Chartered Bank (Hong Kong) Limited
Banco Santander, S.A.
Bank of Communications Co., Ltd. Hong Kong Branch

Registered Office
33rd Floor
Top Glory Tower
262 Gloucester Road
Causeway Bay
Hong Kong

Head Office
31st Floor
Top Glory Tower
262 Gloucester Road
Causeway Bay
Hong Kong

Hong Kong Principal Share Registrar and Transfer Office
Tricor Progressive Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai, Hong Kong

Investor Relations
LI Wai Kwan
Telephone: +852 2833 0606
Facsimile: +852 2833 0319
E-mail: ir@cofco.com

Company Website
http://www.chinaagri.com

Five-Year Financial Summary

A summary of the results and of the assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the published audited consolidated financial statements and restated is set out below:

RESULTS	2009 HK$'000	2008 HK$'000	2007 HK$'000	2006 HK$'000 (Restated)	2005 HK$'000 (Restated)
CONTINUING OPERATIONS					
REVENUE	43,827,891	41,802,056	28,869,244	17,899,323	13,813,171
PROFIT FROM OPERATING ACTIVITIES	2,219,513	4,604,226	1,325,771	978,554	343,631
Finance costs	(239,121)	(388,964)	(320,416)	(200,463)	(132,636)
Share of profits of associates	355,168	133,403	269,568	201,045	82,172
PROFIT BEFORE TAX	2,335,560	4,348,665	1,274,923	979,136	293,167
Income tax expense	(291,980)	(883,516)	(25,500)	(129,598)	(51,370)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS	2,043,580	3,465,149	1,249,423	849,538	241,797
DISCONTINUED OPERATIONS					
Profit for the year from discontinued operations	–	–	–	64,541	41,558
PROFIT FOR THE YEAR	2,043,580	3,465,149	1,249,423	914,079	283,355
Attributable to:					
Owners of the Company	1,952,042	2,624,937	1,100,363	755,416	254,879
Minority interests	91,538	840,212	149,060	158,663	28,476
	2,043,580	3,465,149	1,249,423	914,079	283,355
ASSETS, LIABILITIES AND MINORITY INTERESTS					
TOTAL ASSETS	36,091,614	28,266,528	21,600,468	15,461,037	10,200,516
TOTAL LIABILITIES	(17,696,077)	(12,321,097)	(9,848,087)	(8,371,870)	(7,304,786)
MINORITY INTERESTS	(2,565,491)	(2,343,009)	(1,352,110)	(1,120,240)	(903,633)
	15,830,046	13,602,422	10,400,271	5,968,927	1,992,097

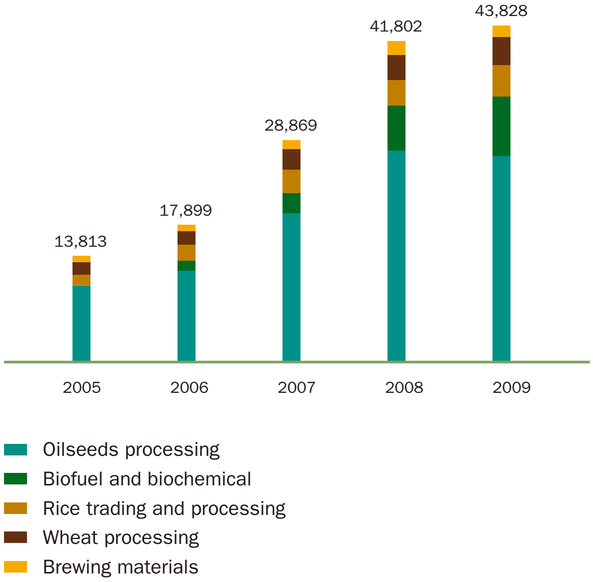
Financial Highlights

For the year ended 31 December 2009

	Unit	2009	2008	Increase/ (Decrease) %
Revenue:	HK$ million	43,827.9	41,802.1	4.8%
– Oilseeds processing	HK$ million	26,811.7	27,539.5	(2.6%)
– Rice trading and processing	HK$ million	4,106.8	3,383.0	21.4%
– Wheat processing	HK$ million	3,661.0	3,248.9	12.7%
– Biofuel and biochemical	HK$ million	7,750.6	5,824.5	33.1%
– Brewing materials	HK$ million	1,497.8	1,806.2	(17.1%)
Operating profit (segment results)	HK$ million	2,137.4	4,524.8	(52.8%)
Operating margin	%	4.9	10.8	
Profit before tax	HK$ million	2,335.6	4,348.7	(46.3%)
Profit attributable to the owners of the Company	HK$ million	1,952.0	2,624.9	(25.6%)
Earnings per share:				
– Basic	HK$	0.5174	0.73	(29.1%)
– Diluted	HK$	0.5171	N/A	N/A
Dividend per share for the year	HK$	0.126	0.136	(7.4%)
Total assets	HK$ million	36,091.6	28,266.5	27.7%
Total equity attributable to the owners of the Company	HK$ million	15,830.0	13,602.4	16.4%
Share price per share at year-end	HK$	10.20	3.85	164.9%
Market capitalisation at year-end	HK$ million	39,357.6	13,836.5	184.4%

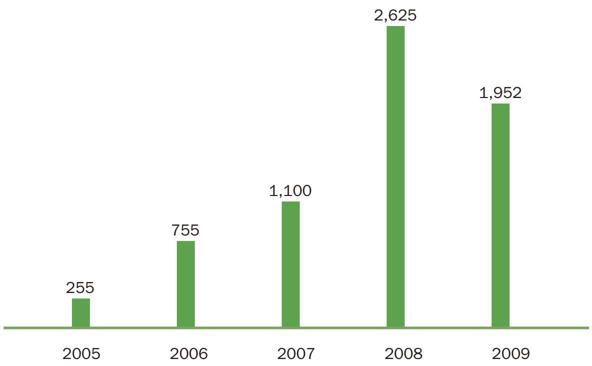
Revenue for Continuing Operations

(HK$M)



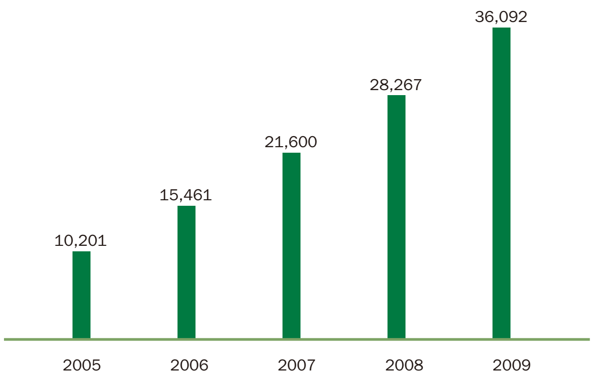
Profit Attributable to the Owners of the Company

(HK$M)



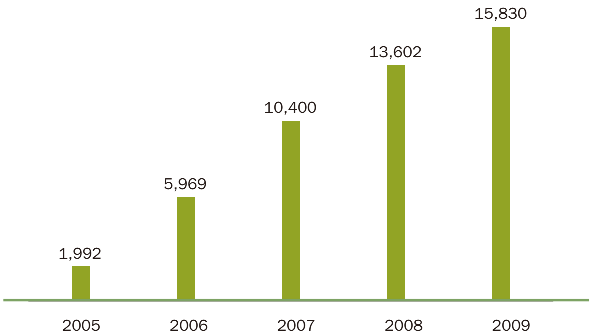
Total Assets

(HK$M)



Equity Attributable to the Owners of the Company

(HK$M)



Capacity Distribution

- Oilseeds processing
- Rice trading and processing
- Biofuel
- Biochem
- Brewing materials
- Wheat processing

2009 Capacity *Unit: metric ton'000*

Oilseeds Processing Business	
Crushing Capacity	5,580
Jingmen, Hubei	240
Rizhao, Shandong	600
Heze, Shandong	360
Zhangjiagang, Jiangsu	3,600
Dongguan, Guangdong	600
Feixian, Shandong	180
Refining Capacity	1,530
Jingmen, Hubei	120
Zengcheng, Guangdong	120
Rizhao, Shandong	240
Heze, Shandong	120
Zhangjiagang, Jiangsu	570
Dongguan, Guangdong	300
Feixian, Shandong	60
Biofuel and Biochemical Business	
Fuel Ethanol Capacity	380
Zhaodong, Heilongjiang	180
Beihai, Guangxi	200
Consumable Ethanol and Anhydrous Ethanol Capacity	400
Zhaodong, Heilongjiang	400
Biochem (corn processing capacity)	1,850
Gongzhuling, Jilin	1,250
Yushu, Jilin	600
New Sweeteners Capacity	150
Jinshan District, Shanghai	150
Rice Trading and Processing Business	
Rice Processing Capacity	525
Nanchang, Jiangxi	220
Zhangjiagang, Jiangsu	75
Dalian, Liaoning	230
Wheat Processing Business	
Wheat Processing Capacity	1,771
Qinhuangdao, Hebei	340
Puyang, Henan	110
Shenyang, Liaoning	280
Xiamen, Fujian	180
Dezhou, Shandong	170
Zhengzhou, Henan	220
Zhangjiagang, Jiangsu	216
Taixing, Jiangsu	105
Luohe, Henan	150
Dried Noodle Capacity	59.7
Puyang, Henan	24
Shenyang, Liaoning	22.5
Dezhou, Shandong	7.2
Zhengzhou, Henan	6
Bakery Capacity	1.98
Beijing	1.98
Brewing Materials Business	
Malt Processing Capacity	660
Dalian, Liaoning	360
Jiangyin, Jiangsu (Phases I & II)	300

Chairman's Letter

NING Gaoning

"Through brand-building and further developing China's retail market, we will be able to enlarge our share of the market and enhance our competitive strengths, which in turn will help elevate our performance to new levels whilst also enabling us to fulfill our social responsibility commitments and deliver shareholder returns."

Dear Shareholders,

As China Agri-Industries Holdings Limited ("China Agri" or the "Company") steered through the challenges of 2009 and continued to maintain stable development, we have defined our future strategy in collaboration with other COFCO companies, to develop a complete value chain emphasizing safety, assurance and health based on the food safety strategy of COFCO Corporation ("COFCO"), our parent company. Guided by this strategy, as well as market trends and customer needs, we will develop our own brand and strive to expand our sales business in the domestic retail sector.

As a prerequisite for health and well-being, food safety is an issue of prime concern for the public. In this connection, we are doing everything in our power to ensure food safety, in tandem with our social responsibility as China's largest state-owned oil and grain enterprise.

Given the huge variety of the products we provide, our assurance of food safety must be comprehensive. We are convinced that quality assurance cannot be achieved merely through the inspection of finished products. Instead, we believe the food safety issue should ultimately be addressed throughout the entire value chain, starting with the continuous improvement of our business model and the cultivation of a corporate culture that ensures full compliance with proper food safety procedures.

Food safety is not only essential for the health and well-being of consumers; but also vital for upholding the brand image and strategic objectives of COFCO. We listen to the market and endeavour to exercise total quality management, from the procurement of raw materials through sales to the end-users; enhance risk control over production and processing; and strengthen sales management, aiming to build a fully integrated oil and grain enterprise.

We anticipate growing competition in China's oil and grain market. As a major oil and grain enterprise in China we believe the only way to inspire confidence in consumers is by providing them with high-quality food products that are reliable and safe. Through brand-building and further developing China's retail market, we will be able to enlarge our share of the market and enhance our competitive strengths, which in turn will help elevate our performance to new levels whilst also enabling us to fulfill our social responsibility commitments and deliver shareholder returns.

NING Gaoning
Chairman

Hong Kong, 30 March 2010

Managing Director's Message

YU Xubo

"China Agri will continue to capture any opportunities to expand its business in the rice, flour and oil sectors, by way of strategic layout optimisation."

After facing grim conditions of unprecedented enormity following the onset of the global financial crisis in September 2008, the Company continued to experience a year of challenges in 2009. However, China Agri was successful in addressing cyclical industry corrections and changes in the business environment by undertaking a number of proactive measures and initiatives. In 2009, revenue for China Agri was HK$43,827.9 million, up 4.8% from 2008. Profit attributable to owners of the Company declined by 25.6% year-on-year to HK$1,952.0 million. The Board has recommended a final dividend of HK5.9 cents per share for 2009. Together with the interim dividend of HK6.7 cents, the total dividend payment for the year was HK12.6 cents (2008: HK13.6 cents).

We reported spectacular results growth in 2008, which was attributable to the substantial rise and volatility in the prices of our products in line with commodity prices in general, though not being ordinary. We have also emphasised that this growth was exceptional and unlikely to repeat itself. Therefore we strived to enhance organic growth through the implementation of prudent yet flexible strategies. We effectively avoided risks associated with commodity price volatility by entering into hedging arrangements. We strive to improve strategic layout and ramp up production capacity, seizing sizeable operating revenue and market share. Market position is fortified by undergoing business transformation, while developing our brand and diversifying into domestic business.

Various business indicators returned to normal levels in 2009, although profit inevitably decreased on a comparative basis, which was in line with management's expectations. Generally, we have been reporting satisfactory growth in revenue and profit, indicated by compound annual growth rates of 27.1% and 71.7% for revenue and profit, respectively, for the period from 2004 to 2009.

With a view to centralising the management of our operations, in 2009 we consolidated the office functions by setting up five departments, namely, the project management, risk control, production management, marketing and production safety departments. This has created synergies among our five principal business segments of oilseeds processing, biofuel and biochemical, rice trading and processing, wheat processing and brewing materials, and laid a solid foundation for organic growth.

Looking to the future, China Agri will continue to capture any opportunities to expand its business in the rice, flour and oil sectors, by way of strategic layout optimisation. Our capital expenditure for 2010 will be mainly applied to business development in these three sectors, with a special focus on expanding our oilseeds processing capacity, which we intend to increase by 48.4% from the current 5.58 million metric tons to 8.28 million metric tons by 2011. Meanwhile, we will actively diversify into the branded retail business and domestic business, propelling parallel growth in upstream and downstream business reinforcing our market share and leadership of our own brands as part of our ongoing business development strategy.

YU Xubo
Managing Director

Hong Kong, 30 March 2010

Awards and honours

Since its listing in March 2007, the Company has been widely recognised for its outstanding performance in business results, corporate governance, annual report production and corporate development, as evidenced by awards and honours granted by reputable institutions and media in Hong Kong and elsewhere. These honours speak powerfully for the Company's credentials and shed light on our endeavour to provide first-tier products and services and promote shareholders' value.

Date	Awards and Honours received in 2009	Awarding Authority
June 2009	Annual Recognition Awards 2009	*Corporate Governance Asia* Magazine
July 2009	Silver Award in the category of "Agribusiness" in the 2008 Vision Awards Annual Report Competition	League of American Communications Professionals LLC
August 2009	Honors Award for overall presentation in the category of "Food Dist., Processors & Wholesalers" in the 2009 International ARC Awards Competition	Mercomm, Inc.
August 2009	The Asset China's Most Promising Companies 2009	*The Asset* Magazine
October 2009	Credible Enterprise for 2010-2012	Reputation Institute (China) and China Enterprise Reputation and Credibility Association (Overseas)
October 2009	Gold Award for our annual report in the category of "Food & Consumer Packaged Goods" in 2009 International GALAXY Awards Competition	Mercomm, Inc.
November 2009	Directors Of The Year Awards 2009 – Listed Companies (SEHK – Non Hang Seng Index Constituents) – Boards category	The Hong Kong Institute of Directors
December 2009	Hong Kong Corporate Governance Excellence Awards 2009 – Hang Seng Composite Index Companies	The Chamber of Hong Kong Listed Companies and the Centre for Corporate Governance & Financial Policy of Hong Kong Baptist University
December 2009	Titanium Award in The Asset Corporate Awards 2009	*The Asset* Magazine

Moreover, the Company has been admitted as a constituent of a number of stock indexes of Hang Seng Indexes Company Limited, including the Hang Seng Composite Index, Hang Seng Mainland Composite Index, Hang Seng China-Affiliated Corporations Index and Hang Seng Freefloat Composite Index. In addition, the Company is also a constituent of FTSE Environmental Opportunities Index Series, underlining recognition of our business scale, operating results and industry position in the capital markets.

Oilseeds processing business

Business Review

Oilseeds processing business

The Company is one of the largest bulk edible oil and oilseeds meal producers in China, processing mainly soybean oil, palm oil and rapeseed oil. The products processed by the Company include bulk edible oils, specialty oils and fats, oilseeds meal, small pack oil and other products. These products are sold primarily under the Sihai (四海) and Xiyingying (喜盈盈) brands.

The oilseeds processing business is the largest revenue contributor to the Company, accounting for 61.2% of total revenue and 48.7% of total operating profit (by segment result) for 2009.

Product	2009		2008		Change	
	Volume metric ton '000	Revenue HK$ million	Volume metric ton '000	Revenue HK$ million	Volume	Revenue
Bulk edible oils	2,031.6	13,868.4	1,512.8	14,064.6	34.3%	-1.4%
– Soybean oil	702.4	4,767.5	505.0	4,848.3	39.1%	-1.7%
– Palm oil	557.3	3,190.6	405.0	3,298.7	37.6%	-3.3%
– Rapeseed oil	162.0	1,240.2	67.1	691.1	141.4%	79.5%
– Small pack oil	476.8	4,023.0	395.9	4,247.8	20.4%	-5.3%
– Others	133.1	647.1	139.8	978.7	-4.8%	-33.9%
Oilseeds meal and feeds	3,889.5	12,449.2	3,152.8	10,982.5	23.4%	13.4%
Others		494.2		2,492.4		-80.2%
Total		26,811.8		27,539.5		-2.6%

Gross profit margin retreated to normal levels as oilseeds prices stabilised

Following record-high prices of soybean oil and meal in the volatile oilseeds market of 2008, prices throughout 2009 were relatively stable after the global financial crisis caused a downward correction in the oilseeds market.

While the Company reported growth in the sales of oilseeds processing products for the year, revenue from the business nevertheless decreased by 2.6% as compared with 2008 to HK$26,811.8 million, reflecting the substantial decline in the product prices. The gross profit margin of the oilseeds processing business also retracted from 11.5% to 4.3%.

The Company endeavoured to increase its profitability through improvements in procurement, production and sales. Procurement was improved by strengthening cooperation with large-scale international trading companies in order to reduce trading risks and by making timely adjustments to its procurement strategy according to changes in the international market.

The Company continued to increase the utilisation of its crushing capacity in order to lower its average processing cost, and strengthen the management of its production plants. At the same time, improved technology resulted in increased energy savings and reduced discharge during production.

In terms of sales, the Company continued to improve its sales network and exercise rigid controls over sales risks, while constantly raising customer service standards.

The Company adopts effective procurement and hedging strategies as part of its day-to-day operations to avoid risks associated with the volatility of raw material prices. The Company continued to enter into hedging arrangements in respect of the raw materials it sourced in overseas markets and the products it sold.

Realising economies of scale with capacity expansion

The Company's competitiveness in the Pearl River Delta Region has been enhanced since the official consolidation of COFCO Xinsha Oils & Grains Industries (Dongguan) Co., Ltd. ("COFCO Dongguan") and COFCO Oils & Grains Industries (Feixian) Co., Ltd. ("COFCO Feixian") into the Company in April 2009.

As well as increasing the Company's crushing capacity for peanut oil, COFCO Feixian made a positive impact on the Company's oilseeds processing business by capitalising on market opportunities in 2009, with its sales of peanut meal and peanut oil increasing by approximately 31.5% and 92.5% respectively compared with 2008, driving up the gross profit margin for this segment of the Company.

COFCO Dongguan is principally engaged in the production of soybean oil and meal. Although its profitability was threatened by the decline in prices for finished oil products during the year, the completion of the water-free de-saponification project at the COFCO Dongguan plant generated sound economic and social benefits by reducing pollution and substantially lowering the consumption of bleaching earth, water and coal.

As at the end of December 2009, the Company's crushing and refining capacities amounted to 5,580,000 metric tons and 1,530,000 metric tons per annum, respectively.

China has been reporting rapid growth in soybean crushing output in recent years. Domestic consumption of oilseeds and meal is expected to grow at a relatively fast pace in the coming years, driven by urbanisation and the development of the catering, food processing, feed and livestock industries. In view of this market trend, the Company will step up project construction in order to expand production and establish a nationwide presence for its products. In particular, the Company's processing capacity in key consumer markets such as Tianjin, Shandong, Guangxi and Guangdong will be upgraded.

China has also seen the rapid development of its palm oil market, with palm oil imports reaching a record high of 6,440,000 metric tons in 2009, representing a growth of 22% over the previous year. Given the rise in demand for palm oil, the Company has decided to build fractionation units in Tianjin, Zhangjiagang in Jiangsu and Qinzhou in Guangxi, each with a capacity of 1,000 metric tons per day. Most of the construction is scheduled for completion by 2011 when, with the commissioning of these projects, the Company's competitiveness in the palm oil market will be greatly enhanced.

Crushing capacity

Name of Plant	Location	Products	Production Capacity (metric ton'000)
COFCO Xiangrui Oils & Grains Industries (Jingmen) Co., Ltd.	Jingmen, Hubei	Rapeseed oil, cottonseed oil and meal	240
COFCO Yellowsea Oils & Grains Industries (Shandong) Co., Ltd.	Rizhao, Shandong	Soybean oil and meal	600
COFCO ADM Oils & Grains Industries (Heze) Co., Ltd.	Heze, Shandong	Soybean oil, cottonseed oil, peanut oil and meal	360
COFCO East Ocean Oils & Grains Industries (Zhangjiagang) Co., Ltd.	Zhangjiagang, Jiangsu	Soybean oil, Rapeseed oil and meal	3,600
COFCO Xinsha Oils & Grains Industries (Dongguan) Co., Ltd.	Dongguan, Guangdong	Soybean oil and meal	600
COFCO Oils & Grains Industries (Feixian) Co., Ltd.	Feixian, Shandong	Peanut oil, soybean oil and meal	180
		Total Production Capacity	5,580

Refining capacity

Name of Plant	Location	Products	Production Capacity (metric ton'000)
COFCO Xiangrui Oils & Grains Industries (Jingmen) Co., Ltd.	Jingmen, Hubei	Rapeseed oil and cottonseed oil	120
COFCO Eastbay Oils & Grains Industries (Guangzhou) Co., Ltd.	Zengcheng, Guangdong	Soybean oil and palm oil	120
COFCO Yellowsea Oils & Grains Industries (Shandong) Co., Ltd.	Rizhao, Shandong	Soybean oil and palm oil	240
COFCO ADM Oils & Grains Industries (Heze) Co., Ltd.	Heze, Shandong	Soybean oil and peanut oil	120
COFCO East Ocean Oils & Grains Industries (Zhangjiagang) Co., Ltd.	Zhangjiagang, Jiangsu	Soybean oil, palm oil and rapeseed oil	570
COFCO Xinsha Oils & Grains Industries (Dongguan) Co., Ltd.	Dongguan, Guangdong	Soybean oil and palm oil	300
COFCO Oils & Grains Industries (Feixian) Co., Ltd.	Feixian, Shandong	Peanut oil and soybean oil	60
		Total Production Capacity	1,530

Oilseeds processing capacity under construction

Name of project	Location	Details	Raw materials processed	Scheduled completion
Yellowsea Oils & Grains 4,000-mt/d soybean crushing project	Rizhao, Shandong	4,000-mt/d soybean crushing with complementary refining, storage and logistic facilities	Soybean	2010
East Ocean 1,000-mt/d refinery project	Zhangjiagang, Jiangsu	1,000-mt/d refining	Soybean oil	2010
Excel Joy 4,000-mt/d crushing project	Tianjin	4,000-mt/d soybean crushing and complementary facilities	Soybean	2010
Qinzhou 4,000-mt/d soybean processing project	Qinzhou, Guangxi	4,000-mt/d soybean crushing production line	Soybean	2011
Jiujiang 1,000-mt/d crushing project	Jiujiang, Jiangxi	1,000-mt/d crushing production, 600-mt/d refining, fractionation line and other complementary facilities	Rapeseed, soybean and palm oil	2010

The development of China Agri's oilseeds processing business should benefit from recently announced government initiatives, such as the structural realignment of the industry, industrial upgrades and support for selected cross-regional soybean oilseeds processing enterprises covering production, processing and sales. Among the existing enterprises, many are having problems in regard to their location, scale, technology, equipment, and international procurement and risk management capabilities. As these companies fall by the wayside, the Company will be in an excellent position to profit from the growth opportunities that are presented.

The Company's soybean crushing projects currently under construction enjoy significant advantages in raw material intake and product transportation, as they are all strategically located at key points in the Company's logistics network. With the installation of domestic and imported state-of-the-art equipment, these projects are set to advance the overall production capacity of the industry in China.

Moreover, the Company will continue to build cost-effective procurement and risk-management systems, as well as highly efficient production logistics system, all of which will expand and reinforce its sales network. A prudent hedging strategy will be further employed to reduce risks associated with price volatility of commodities in the domestic and international markets.

Products

Category	Product
Meals	Major products include soybean meal, rapeseed meal, peanut meal, cottonseed meal and others.
Small pack oil products	Small pack oil products include: vitamin-A soybean oil (維 A 大豆油), peanut oil (花生油), sunflower oil (葵花籽油), rapeseed oil (菜籽油) and other edible oils. **Vitamin-A Soybean Oil (維 A 大豆油)** Vitamin A protoplasm is extracted using advanced technological processes and fully dissolved in salad through pre-solution, dissolution and homogenisation, so that it can be more evenly and effectively absorbed by the human body. These processes fully comply with the strict requirements of the Chinese Nutrition Improvement Project (國家公眾營養改善項目). **Peanut Oil (花生油)** Made from selected raw materials to ensure purity and quality; overcooking is avoided to eliminate aroma traits that would result in the loss of nutritious ingredients and to reduce the generation of harmful substances. With an original moderate fragrance, fine taste and shiny appearance, our peanut oil is free of cholesterol and aflatoxin and contains vitamins A, B and E as well as unsaturated fatty acid.

Category	Product
	Sunflower Oil (葵花籽油) Produced with modern technology and physically refined with strict quality management in accordance with international control standards. Our sunflower oil is natural and healthy with a fresh taste. The aroma of sunflowers provides a natural aftertaste. **Rapeseed Oil (菜籽油)** Made from premium rapeseed from Hubei province which is solid in shape and rich in nutrition, containing rich unsaturated fatty acid. As it is extracted from seed cone, the components of rapeseed usually contain certain phospholipids from seeds, which are very important for the development of blood vessels, nerves and the cerebrum.
Oils for special use	There are various kinds of oils for special use, including Shortening (起酥油), Margarine (人造奶油), Frozen Fat (速凍油), Frying Fat (煎炸油), Soybean Milk Fat (豆奶油), Cream Fitting (夾心奶油), Pop Corn Fat (爆米花油), Chinese Cake Oil (中式點心專用油), Filling Oil (餡料專用油), Moon Cake Oil (月餅專用油), Cocoa Butter Substitute (代可可脂), Hydrogenated Palm Oil (氫化棕櫚油), Hydrogenated Coconut Oil (氫化椰子油), Hydrogenated Soybean Oil (氫化大豆油), Hydrogenated Palm Stearin (氫化棕櫚硬脂), Non-dairy Cream (植脂鮮奶油專用油) and others.
Lecithin	These products mainly include lecithin for stock feed.
Specialty oils	Camellia Oil (山茶油), Olive Oil (橄欖油) and others. **Olive Oil (橄欖油)** The best quality extra virgin olive oil extracted from the essence of premium olives from Spain, the world's biggest olive oil producing country.

Quality control

In the oilseeds processing business, food safety control points were established and inspection standards unified for raw materials and finished products during 2009 as we continued to develop and improve our food safety management system. Training in food safety knowledge and skills was provided to quality control personnel; a "Preliminary Food Safety Contingency Plan of the Oilseeds Division" was also prepared together with food safety inspections conducted at the plants. Each plant was required to sign a "Food Safety Objectives and Responsibility Statement," and procedures for handling complaints of oilseeds products were established.

The Company's comprehensive quality control system covers the entire flow of the oilseeds processing business, which includes sourcing, production, processing, packaging, storage, sales and logistics. Most of our subsidiaries under this division are accredited with ISO9001 and HACCP certifications. COFCO East Ocean Oils & Grain Industries (Zhangjiagang) Co., Ltd has been accredited with three other certifications — ISO14001, OHSMS18001 and AIB (USA).

Biofuel and biochemical business

Biofuel business

The Company is one of China's major fuel ethanol producers, operating through two subsidiaries: COFCO Bio-Energy (Zhaodong) Co., Ltd. ("Zhaodong Bio-Energy") and the country's first and only operator of non-food fuel ethanol production lines, Guangxi COFCO Bio-Energy Co., Ltd. ("Guangxi Bio-Energy").

Product	2009 Volume metric ton '000	2009 Revenue HK$'M	2008 Volume metric ton '000	2008 Revenue HK$'M	Change Volume	Change Revenue
Fuel ethanol	357.2	1,964.4	303.7	1,562.3	17.6%	25.7%
Consumable ethanol	117.1	534.5	87.8	419.7	33.4%	27.4%
Anhydrous ethanol	30.8	161.7	67.6	387.4	-54.4%	-58.3%
Crude corn oil	72.4	453.1	57.7	462.2	25.5%	-2.0%
Corn DDGS	317.4	546.9	294.3	497.6	7.8%	9.9%
Others	–	111.1	–	337.9		-67.1%
		3,771.7		3,667.1		2.9%
Inter–segment sales		(15.2)		–		
Total		3,756.5		3,667.1		2.4%

Operations at Zhaodong Bio-Energy and Guangxi Bio-Energy were stable during the year. The Company reduced power consumption by consolidating utilisation rate for water, electricity and gas through upgraded technology and enhancing the management of the plants. As at the end of 2009, the two plants had a combined fuel ethanol production capacity of 380,000 metric tons per annum.

Fuel ethanol capacity

Name of Plant	Location	Product	Production Capacity (metric ton'000)
COFCO Bio-Energy (Zhaodong) Co., Ltd.	Zhaodong, Heilongjiang	Fuel ethanol	180
Guangxi COFCO Bio-Energy Co., Ltd.	Beihai, Guangxi	Fuel ethanol	200
		Total production capacity	380

Consumable ethanol and anhydrous ethanol capacity

Name of Plant	Location	Product	Production Capacity (metric ton'000)
COFCO Bio-Energy (Zhaodong) Co., Ltd.	Zhaodong, Heilongjiang	Consumable ethanol and anhydrous ethanol	400*
		Total production capacity	400

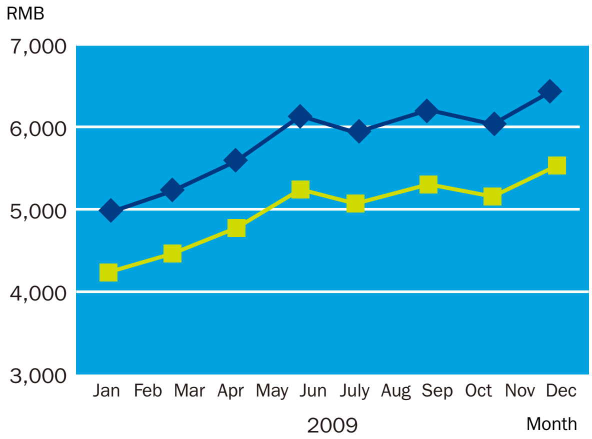
* including fuel ethanol capacity

Currently, the price of fuel ethanol in China is pegged to the ex-factory price of No. 90 gasoline, which, on the other hand, is determined by the National Development and Reform Commission. Occasionally the price of fuel ethanol will move against raw material costs for its production, which are subjected to market prices. To compensate for setbacks in profitability caused by price fluctuations of raw materials, and to encourage investment in the fuel ethanol industry, an adjustable grant has been offered by the PRC Government to fuel ethanol enterprises. The sales tax has also been exempted and the VAT refunded. In 2009, the Company received a fuel ethanol grant of HK$561.8 million.

Prices of fuel ethanol continued to rise in 2009 at an average rate of approximately 6.9% compared with the previous year. The full-year profits of Zhaodong Bio-Energy, which uses corn as its raw material, were duly affected as corn prices rose by approximately 10.1% over 2008 in excess of the growth rate for the prices of fuel ethanol products. In contrast, Guangxi Bio-Energy uses tapioca as a raw material, the price of which declined by approximately 10.5% compared with 2008, and therefore reported growth in full-year profits.

In order to lower risks from fluctuations in raw material prices and stocks, and ensure a stable supply of raw materials, the Company intends to improve storage capacity near its production facilities.

Prices of fuel ethanol in China



Biochemical business

The Company's biochemical business is primarily engaged in corn processing. Our products include corn starch, sweeteners (maltodextrin, fructose syrup and maltose syrup), feed ingredients and crude corn oil. To meet customer needs, the Company continued to develop and introduce new products such as corn starch specifically for beer brewery.

Most biochemical enterprises were affected by the financial crisis and operated at a loss in the second half of 2008. In response to this challenge, the Company centralized the management of its subsidiary biochemical businesses and strived to restore profitability to reasonable levels by realising internal synergies, exercising stringent control over production costs, reducing power consumption, refining raw material sourcing and seeking government grants. At the same time, the Company strengthened product quality control and improve customer service, with a view to enhancing the competitiveness of its biochemical products. The Company managed to achieve its targeted profit level in 2009.

In the first half of 2009, the PRC government bought substantial amounts of corn in Northeast China in an effort to increase corn prices, which had caused a collective loss among corn processing enterprises in the region. As the government could not sell its corn at high prices, it therefore offered grants of 150 yuan per metric ton to northeast corn processors who purchased the country's corn to help them recoup processing losses. During the year, the Company received a corn processing grant of HK$76.0 million.

	2009		2008		Change	
Product	Volume	Revenue	Volume	Revenue	Volume	Revenue
	metric ton '000	HK$'M	metric ton '000	HK$'M		
Corn starch	1,149.1	2,529.4	755.4	1,537.2	52.1%	64.5%
Corn meal and feed	424.7	864.3	298.5	626.6	42.3%	37.9%
Sweeteners	202.6	472.5	–	–	N/A	N/A
Others	–	133.9	–	–		N/A
		4,000.1		2,163.8		84.9%
Inter-segment sales		(6.0)		(6.4)		
Total		3,994.1		2,157.4		85.1%

Reinforcing partnerships with customers

Coca-Cola and Pepsi Cola each approved the Company's F42 and F55 fructose syrups, and the Company is now supplying fructose for all seven Coca-Cola and Pepsi Cola bottlers in Northeast China. The Company is also an exclusive supplier for six of them.

During the year, the Company became a qualified supplier of maltodextrin for Unilever and Nestlé and a dedicated customer service team was set up for these accounts. The Company started to deliver supplies to Unilever plants around the world. Meanwhile, we continued to supply corn starch to leading international breweries and domestic breweries such as Snow Beer, whose scope of cooperation with the Company has been extended to all regions of China, including its 48 subsidiary plants with which we have built solid business partnerships. Moreover, we are currently the exclusive supplier of corn starch to 15 plants of InBev.

Enhanced profitability through two major acquisitions

The scale of our biochemical business was further broadened in 2009 with the completion of two major acquisitions: Yellow Dragon Food Industry Co., Ltd. ("Yellow Dragon") and COFCO Rongs Biotech Co., Ltd. ("COFCO Rongs") (formerly known as Shanghai Rongs Biotech Co., Ltd.). Located in Jilin Province, Yellow Dragon is one of the largest corn processing plants in China, with a processing capacity of approximately 650,000 metric tons per annum. It is principally engaged in the production and sales of corn starch, corn protein feed, corn gluten feed, corn oil and maltose syrup. As Yellow Dragon has a leading position in the industry, sound management and extensive storage and logistical facilities, the acquisition has helped improve the management standards, lower production costs and drive the profitability of its biochemical enterprises.

COFCO Rongs currently owns and operates three sweetener production lines with a production capacity of 150,000 metric tons per annum. Its products enjoy high brand awareness and dominant market share in the Yangtze River Delta. Starch sugar produced by COFCO Rongs has claimed the largest share of the high-end market in the Yangtze River Delta for 10 years in a row, accounting for more than 80% in 2009. Its client base has a high proportion of high-end customers including renowned food producers, both domestically and internationally. Following the acquisition of COFCO Rongs, the Company achieved vertical integration as its other three biochemical enterprises can now supply starch as a raw material for COFCO Rongs directly. The acquisition will also increase the variety and production volume of value-added products.

As at the end of 2009, the corn processing capacity of the Company was 1,850,000 metric tons per annum, representing a substantial increase of 54.2% compared with the end of 2008.

Biochemical (Corn processing capacity)

Name of Plant	Location	Product	Production Capacity (metric ton'000)
COFCO Bio-Chemical Energy (Gongzhuling) Co., Ltd.	Gongzhuling, Jilin	Corn starch, sweeteners, crude corn oil, corn meal and feed	600
COFCO Bio-Chemical Energy (Yushu) Co., Ltd.	Yushu, Jilin	Corn starch, crude corn oil, corn meal and feed	600
Yellow Dragon Food Industry Co., Ltd.*	Gongzhuling, Jilin	Corn starch, maltose syrup, crude corn oil, corn meal and feed	650
		Total production capacity	1,850

* The Company acquired Jilin Packaging in the first half of 2009, which is principally engaged in the production and sale of packaging materials, with an annual production capacity of approximately 6,000 metric tons. Jilin Packaging mainly supplies to the Group.

New Sweeteners Capacity

Name of Plant	Location	Product	Production Capacity (metric ton'000)
COFCO Rongs Biotech Co., Ltd	Jinshan District, Shanghai	Sweeteners	150
		Total production capacity	150

Biochemical processing capacity under construction

Name of Project	Location	Details	Product type	Scheduled Completion
Longjiang project	Qiqihar, Heilongjiang	2,000-mt/ d corn processing production line	Corn starch, MSG	2011
Hengshui project	Hengshui, Hebei	2,000-mt/ d corn processing production line	Corn starch, crystallized sugar	2011

Products

Category	Product
Fuel ethanol	Fuel ethanol refers to anhydrous ethanol that can be used as fuel without adding denaturants. When denaturant-free and gasoline components are mixed at a certain proportion, anhydrous ethanol is converted into ethanol oil, a new type of clean fuel.
Consumable ethanol	Our products are made from corn grown at green facilities via fermentation and distillation, which meet the national standard of the People's Republic of China for consumable ethanol (GB10343-2008). With quality ethanol as a major raw material, our consumable ethanol is transparent and odourless. Our product categories include premium grade consumable ethanol, ordinary ethanol and customised super and premium grades of ethanol produced at the request of customers. We also produce medical ethanol, which meets the standard of the 2005 version of the Pharmacopoeia of China.
Anhydrous ethanol	This low-water-content ethanol is produced by dehydrating 95% (V/V) proof aqueous ethanol. Anhydrous ethanol is an important organic chemical. It is primarily used as an underlying raw material and solvent in the chemical reagent, pharmaceutical, cosmetics and fragrance industries. Using advanced techniques, we produce anhydrous ethanol with over 99.9% (V/V) purity.
Consumable corn starch	A reliable product made with advanced technology, our consumable corn starch is produced using the corn wet milling and closed-loop production process. Our high-quality product has few impurities and is an essential raw material in the food, medical, textile, paper and chemical industries.
Fructose syrup	Made from corn starch milk using enzymatic conversion and heterogeneous technology and advanced micro-filtration membrane technology, our fructose syrup products are available in two categories: F42 and F55, depending on the fructose content.

Category	Product
Maltose syrup	This maltase-based, colourless and transparent viscous liquid is produced by a hydrolysis enzymatic process. With low sweetness and a malty aroma, it is mainly applied in the production of toffee, beverages, bakery products and beer.
Maltodextrin	With high solubility, good taste, excellent thickening capabilities and emulsifying qualities, maltodextrin is an ideal carrier in food processing. In milk powder, it helps remove the mutton smell, guarantees nutrition, and maintains taste to improve product quality. In cereal and soymilk, it helps combine the materials and remove odours. In egg and fat powder products, it helps enhance the stability of protein and fat, increases solubility, and improves product taste.
Isomaltooligosaccharide (低聚異麥芽糖)	Isomaltooligosaccharide is chemically stable with no visible impurities, and has an odourless, soft sweetness. When mixed with condensed milk, cream, gelatin and flavourings to produce confectionary items, it will lower the calorie content of the product and provide an intestinal cleansing effect. It will not cause tooth decay. When added to fresh milk, it creates fermented lactic acid milk, which is key to preserving bifidobacterium strains in the acid milk; when mixed with honey, it can be used to produce honey syrup through refining, which helps to heal constipation, adjust micro-ecology and enhance intestinal functions. When used in brewery, it improves the quality and taste of wines.
Corn DDGS	A kind of animal feed with high protein, corn DDGS is produced during the yeast fermentation of grain into ethanol in a process that includes distillation, evaporation and drying. The feed is not only rich in protein but also amino acids, vitamins and various minerals that benefit the growth of animals. It contains no anti-nutritional factors. With a protein content of over 22%, DDGS has become a widely-used ingredient in the animal feed industry all over the world. DDGS is beneficial in the growth and health of poultry, livestock, aquatic products and special animals. In livestock feed and aquatic products, it is normally used as a substitute for soybean meal or fishmeal in the proportion of up to 25%. Furthermore, DDGS can be fed directly to ruminants.

Category	Product
Corn gluten feed	Corn gluten feed is produced in the wet process during the production of corn starch. Made from corn after it has been separated from the germ, endosperm and other organisms, the processed materials are then added to corn steep liquor and dried. Corn gluten feed contains polysaccharides such as starch and cellulose, and is rich in soluble protein and degradation products such as peptides and various amino acids. In addition, it contains lactic acid, phytic acid calcium, phytic acid magnesium and soluble carbohydrate that have high nutritional value. Corn gluten feed is not only suitable for herbivorous animals, such as cattle, sheep and herbivorous fish, but also a good ingredient for feed for monogastric animals, such as pigs and chickens. When added to feed at a 3-5% proportion, it provides essential nutrients beneficial to maintaining the healthy functioning of an animal's digestive system.
Corn protein feed	Corn protein feed is the remaining part of corn after it has been separated from germ and bran and extracted from starch during the wet processing of corn. Mainly used as feed for poultry and aquatic animals, it is rich in lutein, which helps the colouring of the skin and eggs of poultry when added to their feed in a certain proportion. Over the long term, corn protein feed helps increase the speed of growth and quality of poultry, as well as reduces the utilisation and cost of animal feed.
Corn germ meal	Corn germ meal is made from corn germ after compression, solvent extraction and drying. Corn meal and corn germ meal differ in nutritional ingredients. Corn meal is a palatable feed of high energy and nutritional efficiency, but with a protein content of about 8.4%, and no lysine or tryptophan. Corn germ meal is even more palatable, and is expanded to improve the physical properties of compound feed. The protein content of corn germ meal is about 10% higher than that of corn meal. Furthermore, corn germ meal is rich in essential amino acids, and its protein quality is better than that of corn meal. The energy and protein content of corn germ meal addresses the nutritional needs of livestock and poultry. Hence, corn germ meal can be easily added to mixed feed and helps lower the overall cost of feed itself. It is most widely used by commercial breeders.

Category	Product
Crude corn oil	Crude corn oil can be further processed into corn salad oil. It contains a high level of linoleic acid (58.7%), a type of unsaturated yet indispensable fatty acid with an absorption rate of 95%. Linoleic acid in corn oil is essential in human diets and cannot be synthesised within the human body. Linoleic acid helps to lower blood cholesterol and soften blood vessels to help prevent or treat cardiovascular disease. The chemical stability of corn oil makes it a good ingredient for deep-frying as it is less harmful to health.
Corn oil	Our corn oil has high nutrition value. It is rich in unsaturated fatty acids and can prevent arteriosclerosis or high blood pressure. It has become the top choice in edible oils among consumers.
Liquefied carbon dioxide in food addictives	Liquefied carbon dioxide, which is used in food additives, is made by purifying, condensing and compressing the carbon dioxide gas derived from corn fermentation during the production of alcohol. This product is widely used to maintain the freshness of carbonated beverages, beer and food items, given its compliance with the Regulations on Liquefied Carbon Dioxide as Food Additive GB10621-2006 and the standards of Coca Cola and Pepsi Cola.

Quality control

A cross auditing and assessment exercise was conducted in 2009 in respect of the internal quality systems of the Company's biofuel and biochemical businesses, as well as its subsidiaries. The audit covered system documents and relevant management systems for ISO9001, ISO22000, ISO14001 and GB/T28001. Stringent auditing was carried out over the full production process, including supplier selection, raw material procurement, production process control, equipment management and control of surveillance and surveying equipment, product quality monitoring, packaging, storage and transportation, sales and customer management. The findings of the audit were reported to the management in a timely manner.

The Company also engaged third parties to conduct an audit and assessment of certain subsidiaries, the scope of which covered the ISO9001 quality management system, ISO22000 food safety management system, environment and occupation health management system, financial budget system, performance appraisal system, benchmark management system and management tools such as 5S.

Also, the Company allowed multi-national corporate customers to audit certain subsidiaries of the Company. For example, Gongzhuling passed the audit by Nestlé for the production of its maltodextrin products.

COFCO Bio-Chemical Energy (Zhaodong) Co., Ltd.
Awarded Production Permit No. XK16-218-00019 (for consumable ethanol) and No. XK13-217-00471 (for liquefied carbon dioxide in food additives), ISO 9001 Quality Management System Certification (Registration No. 00608Q10025R2L) and Green Food Certification for corn oil products (Certificate No. LB-10-0904081204A and LB-10-0904081205A).

COFCO Bio-Chemical Energy (Yushu) Co., Ltd.
Awarded Quality Safety Certification, Production Permit No. QS2201 2301 0013 (for starch), ISO 9001 Quality Management System Certification (Certificate No. 00208Q16192RIM) and ISO 22000 Food Safety Management System Certification (Certificate No. 00208F10280ROM).

COFCO Bio-Chemical Energy (Gongzhuling) Co., Ltd.
Awarded Quality Safety Certification, Production Permit No. QS2203 2301 0012 (for starch) and No. QS2203 2302 0004 (for sweeteners), Certification from Jilin CIQ Certificated Laboratory (No. IRS 018), ISO 9001 Quality Management System Certification (Certificate No. CN08/10380), ISO 22000 Food Safety Management System Certification (Certificate No. CH08/0724), ISO 14001 Environmental Management System Certification (Certificate No. CN08/10376), OHSAS 18001 Occupational Health and Safety Management System Certification (Certification No. CN08/10375), HALAL Certification (Certificate No. C2009-201) and KOSHER Certification.

Jilin COFCO Bio-Chem & Bio-Energy Marketing Co., Ltd.
Products of Yushu and Gongzhuling plants are collectively sold by Jilin COFCO BCBE Marketing, which has obtained Green Food Certification No. LB-57-0804071188A (for malt syrup), No. LB-57-0804071189A (for maltodextrin), No. LB-57-0804071190A (for F42 frutose syrup), No. LB-57-0804071191A (for F55 frutose syrup) and No. LB-55-0804071192A (for consumable corn starch).

Yellow Dragon Food Industry Company Limited
Awarded Quality Safety Certification, Production Permit No. QS2203 2301 0005 (for Starch), No. QS2203 2302 0001 (for sweeteners) and No. QS2203 0201 0726 (for corn oil), Certification from Jilin CIQ Certificated Laboratory (No. JRS004), ISO 9001 Quality Management System Certification (Certificate No. 00609Q21172R4M), ISO 22000 Food Safety Management System Certification (Certificate No. 00207F10220R0M) and Green Food Certification for corn oil products (Certificate No. LB-10-0902072298A and LB-10-0902072299A).

COFCO Rongs Biotech Co., Ltd
Awarded Quality Safety Certification, Production Permit No. QS3116 2302 0004 (for sweeteners), ISO 9001 Quality Management System Certification (Certificate No. 00207Q16024R0M), ISO Food Safety Management System Certification (Certificate No.00207F10213R0M and 00207E21097R0M), OHSAS 18001 Occupational Health and Safety Management System Certification (Certificate No. 00207S10571R0M), HALAL Certification (Certificate No. 28019/1/1) and KOSHER Certification.

Jilin CRC Biochemistry Packaging Company Limited
Awarded Quality Safety Certification, Production Permit No. QS22-10201-01074 (for plastic food container), No. QS22-10101-01612 (for plastic food packaging) and No. QS22-10202-00225 (for paper food containers), and ISO 9001 Quality Management System Certification (Certificate No. 00107Q125918R1S/2200).

Rice trading and processing business

Rice trading and processing business

The Company is the largest rice exporter in China and is engaged primarily in the processing and trading of white and parboiled rice. The rice processing and trading business of the Company reported revenue of HK$4,106.8 million for 2009, a 21.4% increase from HK$3,383.0 million for 2008, which was mainly attributable to effective export pricing strategies and strong domestic sales.

Product	2009 Volume metric ton '000	2009 Revenue HK$'M	2008 Volume metric ton '000	2008 Revenue HK$'M	Change Volume	Change Revenue
White rice	701.4	2,941.3	738.3	2,576.8	-5.0%	14.1%
Parboiled rice	229.1	849.0	177.0	806.2	29.4%	5.3%
Others	–	316.5	–	–		N/A
Total		4,106.8		3,383.0		21.4%

The Company currently owns three rice processing plants located in Nanchang, Jiangxi Province; Zhangjiagang, Jiangsu Province; and Dalian, Liaoning Province respectively. As at the end of 2009, the Company had a rice processing capacity 525,000 metric tons.

Rice processing capacity

Name of Plant	Location	Product	Production Capacity (metric ton'000)
COFCO Jiangxi Rice Processing Ltd	Nanchang, Jiangxi	Parboiled rice and white rice	220
COFCO East Ocean Oils & Grains Industries (Zhangjiagang) Co., Ltd	Zhangjiagang, Jiangsu	White rice	75
COFCO Dalian Rice Processing Ltd	Dalian, Liaoning	White rice	230
		Total production capacity	525

Rice export: stable revenue growth underpinned by effective pricing strategies

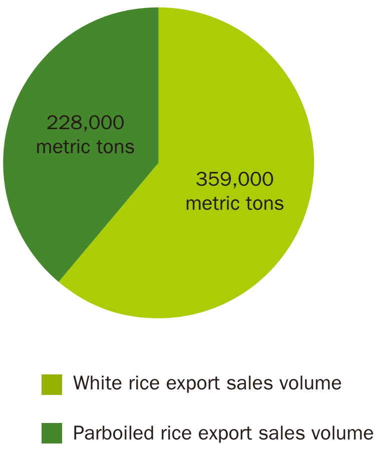
According to the statistics of China Customs, China exported a total of approximately 764,000 metric tons of rice in 2009, of which the Company accounted for 587,000 metric tons, or 76.8% of the country's total export volume. The total volume of the Company's rice exports dropped by 25.8% compared with 2008, a reflection mainly of the government's measures to control rice exports catering for China's domestic food market. Nevertheless, the Company was able to increase the average traded price of its rice exports in 2009 by 23.1% compared with 2008, offsetting the decrease in export volume and the impact of higher paddy field costs.. This was achieved through effective pricing strategies based on in-depth research into the requirements of the Company's target markets, rigid control over raw material costs and close tracking of competitors.

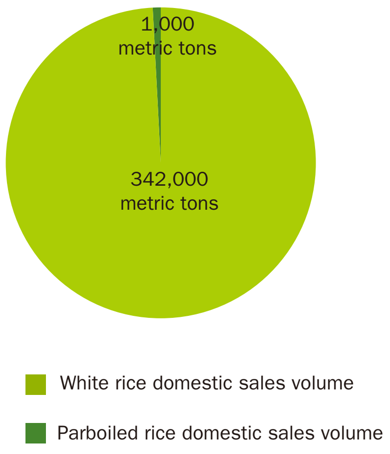
Buying powers in traditional markets such as Africa for Chinese rice was undermined by the global financial crisis. To mitigate potential business risks, the Company increased its overseas marketing efforts to explore new external markets, while enhancing management and risk control over key business processes to guard against the impact of the market fluctuation on the Company's business.

With the increase in the Company's rice processing capacity from 340,000 metric tons to 525,000 metric tons following the completion of its new plant in Dalian, Liaoning, the volume ratio of self-supplied rice to traditional export core markets such as Japan, Korea, Hong Kong and Macau rose to approximately 50.1%.

COFCO Dalian Rice Processing Ltd ("COFCO Dalian") has advanced world-class equipment, promising further enhancements of the Company's rice products. Leveraging its logistical advantage as the first 200,000 metric ton rice processing plant in China with direct port access, COFCO Dalian's operation was able to improve customer satisfaction with faster, more efficient delivery of rice products.

Export and domestic sales volume of white rice and parboiled rice





Domestic rice sales: rapid growth promoted by value chain operation

The Company's domestic rice sales enjoyed rapid growth in 2009, reporting sales of 343,000 metric tons, which was an increase of approximately 176.6% over 2008. In terms of revenue, domestic rice sales accounted for 29.3% of the Company's rice trading and processing business, which was 16.7 percentage points higher than 2008. The encouraging performance of domestic rice sales was mainly attributable to our effective sales strategies for the domestic market.

The Company has established a preliminary business model covering the entire value chain, from "Field to Table". We have gained competitive strength in all segments from the farming of rice crops, through purchasing and processing, to sales and brand building, which pave the way for the development of our domestic rice sales business.

Farming

The Company has made a strong effort to develop contract farming, in collaboration with farms, agricultural cooperatives, big farming households, and under the business mode of "Company + Bases". Contract agricultural bases of approximately 400,000 Mu were established for premium product categories in major paddy rice-growing regions, such as the three north-eastern provinces and Jiangxi Province, with a view to ensuring consistent quality.

Raw materials sourcing and storage

Over the years, the Company has secured core suppliers of raw materials for its rice export business, providing the Company with a steady supply of premium raw grains. This also offers strong assurance of raw materials supply for its fast-growing domestic sales business. In 2009, the Company was in the process of building a nationwide network for the purchase of raw grains. This involves expanding our own plants, setting up agreements with agricultural cooperatives, strategic suppliers and OEM plants, as well as building grain warehouses. At present, the Company purchases raw materials through seven different channels: contract farming; purchase and storage through agents; direct sourcing; strategic cooperation; general trade; reserve rotation; and interim reserve auctions. Through these combined channels, the Company enjoys a stable supply of raw materials for the Company's rice processing business throughout the year. In addition, the Company is not dependent on any single region or variety of rice and is therefore less subject to the risk of price hikes.

Processing

In recent years, the Company has been building a network that covers crop-growing regions and key logistical hubs to develop a capacity-matching system underpinned by "proximity to growing regions + proximity to ports + proximity to markets". The aim of this network is to enhance the Company's inherent production capacity. By the end of 2009, the grain processing capacity of Company-owned plants was close to 800,000 metric tons per annum.

The successful commissioning of the new COFCO Dalian's plant in 2009 was critical to the strategic location of the Company's production capacity in the Northeast China and is playing a positive role in its domestic rice sales business. The COFCO Dalian plant will be able to satisfy demand for small-pack rice products in North China, East China and South China. With its direct access to the north-eastern region's hinterland and Asia's largest transit port for food products, the new plant will become a logistics centre for our domestic rice sales business, which will effectively lower the cost and increase the efficiency of our logistics operations. Being China's first port neighbouring integrated rice processing enterprise with 200,000 metric ton capacity and state-of-the-art technology, COFCO Dalian assures the quality of its rice products and has already established itself as a high-end brand name among consumers.

Sales

Following its entry into the domestic rice market in 2006, the Company has developed a nationwide sales network primarily supported by modern channels but also certain traditional channels. The Company continued to achieve sales growth in current channels and regions through refined management.

As at the end of 2009, through 11 branches and over 400 distributors, rice products under the Company's own brand were available for sale at nearly 600 international hypermarkets and 5,000 local hypermarkets. Our products were also available for sale at over 15,000 traditional sales points and international supermarket chains such as Groupe Auchan, Walmart and Carrefour on a nationwide basis.

Business development and customer relationship management

The Company is focused on modern channels and seeks to develop strategic partnerships with customers having sound business strengths and growth potential. We aim to enhance consumers' confidence in and support for our products. The Company has established partnerships with nine major international supermarket chains, including Carrefour, Groupe Auchan, RT-MART, Walmart, e-Mart, Trust-Mart, Metro, Tesco and Lotus, as well as leading domestic players such as China Resources, Suguo, Beijing Hualian, Shanghai Century Lianhua and Xinjiang Goodhome Supermarket. Currently, we have become the national rice supplier for Groupe Auchan, Walmart and Carrefour, which has given us a significant edge in the modern sales channels. The Company has also reached strategic cooperation agreements with a number of traditional and other retailers with proven strengths, such as YUM!, Yoshinoya, Chongqing Salt (重慶鹽業) and Jiangsu Hualiang (江蘇華糧).

Brand building

The Company places great emphasis on brand-building in addition to increasing sales, and is striving to become China's top rice brand.

In order to grow its market share, the Company has adopted a dual-brand strategy for "Fortune" (「福臨門」) and "Five Lakes" (「五湖」), where "Fortune" will serve as its first-tier flagship brand while "Five Lakes" will be positioned as a second-tier brand for mid-market family pack products. According to AC Nielsen's survey on hypermarkets in major cities, "Fortune" and "Five Lakes" are market leaders in cities such as Beijing, Jinan, Wuxi and Chengdu, and the small-pack rice under these brands is well recognised in the same markets. Moreover, "Fortune" led the composite index on market share of rice products in China in 2009, rated by China General Chamber of Commerce and the China Nation Commercial Information Center.

Capacity expansion and enhancement of the domestic sales network

China's domestic rice market is expected to expand continuously in the years ahead. In response to the growing market demand for its rice products, the Company has set an annual target of 600,000 metric tons of rice in the domestic market for 2010, which is expected to increase to above 2,000,000 metric tons by 2014. To meet projected sales growth, the Company is working to increase its advantages in processing, distribution and brand building.

In 2009, the Company undertook a number of capacity expansion projects. Upon the completion of these projects, the rice processing capacity of the Company is expected to exceed 855,000 metric tons, placing it at the forefront of China's rice industry.

Rice processing project under construction

Name of project	Location	Details	Product type	Scheduled completion
Jiangxi C Line Upgrade	Nanjing, Jiangxi	300 mt/d long-grain paddy processing	White rice	2010
Suihua Rice Processing	Suihua, Heilongjiang	1,200 mt/d paddy processing	White rice, Brown rice	2010
Wuchang Rice Processing	Wuchang, Heilongjiang	450 mt/d paddy processing	White rice, Brown rice	2010
Ningxia Rice Processing	Pingluo, Ningxia	450 mt/d paddy processing	White rice	2010

Small-scale enterprises with outmoded technologies are facing elimination as the entry of large enterprises such as China Agri has heightened industry barriers as well as technological levels. The process of industry consolidation and standardisation will be expedited, which is conducive to improving the profitability of the industry as a whole. The Company should enjoy favourable market prospects in this rapidly expanding industry, as China's market for small-pack rice is growing at a rate 35.2% each year.

The ability of large enterprises to conduct marketing and promotion on a national scale is a breakthrough for the rice industry, where sales and marketing was usually limited to a regional basis in the past. This is the case with our "Fortune" brand. The Company is well-positioned to readily become an industry leader with a brand name recognised throughout the country, as smaller-scale rice suppliers do not operate on a scale that commands nationwide brand recognition.

COFCO has been appointed a senior sponsor of the World Expo 2010 Shanghai ("Shanghai Expo"). The Company's "Fortune" brand has been selected as the only designated oil and grain product for Shanghai Expo, and the Company will leverage this favourable opportunity to launch a full scale brand marketing campaign for "Fortune" rice products and position itself as China's rice supply leader to further enhance its brand value.

Looking ahead, the Company will further enhance its national sales network and business operations in key cities, while increasing the ratio of outlet coverage by its products in order to meet its annual targets. The Company is resolved to adopt a market- and customer-centric approach. We are focused on improving sales, optimizing internal resources, providing customers with one-stop services and reinforcing relationships with our strategic partners and customers. At the same time, we will investigate innovative business models, such as cross sales and marketing of our products via modern channels, catering channels and large-customer channels, in order to meet different consumer needs.

Products

Category	Product
	Our main products include short grain rice from Northeast China and Jiangsu Province, long grain rice of southern origin and parboiled rice (all from selected high-quality paddy fields), and imported rice.
White Rice	Our products are divided into the domestic and imported categories: Our domestic product categories of rice include Dao Hua Xiang (稻花香), Crystal Rice (水晶米), Golden Classic Dongbei rice (金典東北米), and Golden Classic Chang Li Xiang (金典長粒香). Our imported rice includes Thai-Hom Mali Rice, Akitakomachi and Koshihikari. **Dao Hua Xiang (稻花香)** Originated from Wuchang, Heilungjiang Province, and grown in nonpolluted dark soil. Long, thin and transparent with natural freshness when raw. Bright white, fragrant, soft but chewy characteristics when cooked. **Crystal rice (水晶米)** Originating from Panjin in Northeast China, and is grown in saline soil. Small, transparent and full in shape. Unique sweet, soft and juicy taste when cooked. **Golden Classic Dongbei rice (金典東北米)** Originating from the finest rice growing regions of Northeast China and grown in dark fertile soil. Full shape and a glowing clear white colour with natural fragrance and softness when cooked. **Golden Classic Chang Li Xiang (金典長粒香)** Originating from the finest rice growing regions of Northeast China and grown in dark fertile soil. Full, fine shape and a natural fragrance with good texture when cooked.
Parboiled rice	Manufactured using advanced western parboiling technology, our parboiled rice retains maximum nutrition levels. It is rich in iron, zinc and vitamin B and has a light yellow crystal colour and natural fragrance.

Quality control

As quality is a competitive advantage in the rice processing industry, the Company has adopted a Total Quality Management strategy from "Field to Table" to ensure the highest quality output at every stage of the production process. Our products are well recognised by the government and consumers worldwide.

Quality certifications obtained by the Company include the following:

In May 2006, COFCO Jiangxi Rice Processing Limited obtained ISO9001 certification and, in August 2006, HACCP certification. We were the first production facility in Jiangxi Province to receive the HACCP accreditation. We also received a certificate of hygiene for food export in January 2004 and a QS certificate in August 2004.

In 2001, COFCO East Ocean Oils & Grains Industries (Zhangjiagang) Co., Ltd obtained ISO9001\14001 certification. Its rice processing production line was awarded ISO9001 and ISO14001 certifications, a QS certificate and 'C' logo from Jiangsu Province Quality and Technology Supervision Bureau, and HACCP certification from the China Quality Certification Centre in 2003 (which was subsequently replaced by ISO22000 certification in 2007) and AIB (USA) in 2006.

In March 2008, COFCO Dalian received a certificate of hygiene for food export and was awarded a QS certificate from Liaoning Province Quality and Technology Supervision Bureau in June the same year. The production line acquired by the Company and the newly constructed facility commenced production in early 2008 and November 2009 respectively, with preparation for ISO/HACCP certification underway simultaneously.

Wheat processing business

Wheat processing business

As one of the largest wheat processors in China, the Company is principally engaged in the processing and distribution of flour (including general purpose flour and customised flour) as well as other flour products such as noodles. The Company reported continuous growth in operating results for 2009 with the implementation of specialised management and the integration of its operations under the strategic directive of COFCO to foster a "full value chain oil and grain enterprise," optimise the customer and product mix and exercise stringent cost controls.

Revenue from the wheat processing business for 2009 amounted to HK$3,661.0 million, an increase of 12.7% over last year. The increase was mainly attributable to higher average selling prices and overall sales volumes.

Product	2009 Volume metric ton '000	2009 Revenue HK$'M	2008 Volume metric ton '000	2008 Revenue HK$'M	Change Volume	Change Revenue
Flour	1,075.9	2,852.3	1,071.3	2,572.8	0.4%	10.9%
– customised	727.1	2,084.3	751.3	1,902.3	-3.2%	9.6%
– general purpose	348.8	768.0	320.0	670.5	9.0%	14.5%
Noodles	41.5	147.6	49.4	154.6	-16.0%	-4.5%
Others	–	661.2	–	521.5	–	26.8%
		3,661.1		3,248.9		12.7%
Inter-segment sales		(0.1)		–		N/A
Total		3,661.0		3,248.9		12.7%

An oil and grain enterprise covering the full value chain

Demand for processed wheat products has been on the rise, with some consumers calling for a safer and more reliable production process, requesting that the manufacturing process should start at the very source of wheat cultivation. In view of this trend, the Company has sought to continuously optimise its product mix in tandem with COFCO's strategy, develop nutritious and healthy products and provide professional services for its customers by exercising greater control over the entire production chain.

In 2009, the Company formulated a centralised marketing management system, under which a centralised regional sales management centre was established for the Yangtze River Delta, Pearl River Delta, Northeast China, North China and Central China. To support our marketing initiatives, we also made further improvements to our brand management system, with the launch of the "Fortune" brand to complement our principal "Xiangxue" brand.

We are the only company in China capable of fulfilling customised orders and providing tailored procurement services. During the year, we secured strategic cooperation with well-known international and domestic manufacturers, including YUM! Group, Dali Group, Tingyi Group and Ajisen, to supply them with customised flour. We were also appointed by Kraft China as their exclusive supplier in China.

As for the dried noodles business, currently the distribution of the Company's dried noodles has been extended to growth regions such as the Yangtze River Delta and Pearl River Delta, where we have gained access to major sales networks such as Carrefour and Trust-Mart at a relatively low cost.

The Company's bread business, which was developed under a joint venture with Toyota Tsusho, continued to operate smoothly during the year. The Company concluded strategic co-operation agreements with high-end customers, such as Multiple Unit High-Speed Railway and the Great Hall of the People, in a continuing effort to promote rapid business growth and win customers with high gross profit margins.

Stringent cost controls and economies of scale through capacity expansion

In 2009, the Company operated a centralised procurement management system in the major wheat-growing areas of Henan, Hebei, Jiangsu, Shandong and Anhui. Innovative procurement models such as contract agriculture were developed, resulting in significantly lower procurement costs and higher procurement efficiency. The positive effects of these cost control measures have contributed to the sound profitability of our flour business.

At the same time, the Company engaged in aggressive capacity expansion. The resulting economies of scale will give us a greater market share and recognition, thereby reinforcing our industry leadership.

The Xiamen Plant Phase II project was completed during the year with flour production capacity of 59,000 metric tons and bran production capacity of 21,000 metric tons per annum. In addition, Phase II of the Luohe Plant at Luohe, Henan, is currently under construction, and completion and commencement of production is scheduled for early June 2010, when the wheat processing capacity of the Company will increase by 240,000 metric tons per annum.

Wheat processing capacity

Name of Plant	Location	Product	Production Capacity (metric ton'000)
COFCO Flour Industry (Qinhuangdao) Pangthai Co., Ltd.	Qinhuangdao, Hebei	Flour and bran	340
COFCO Flour Industry (Puyang) Co., Ltd.	Puyang, Henan	Flour and bran	110
Shenyang Xiangxue Flour Limited Liability Company	Shenyang, Liaoning	Flour and bran	180
Shenyang Dongda Grains Oils & Foodstuffs Industries Co., Ltd.	Shenyang, Liaoning	Flour and bran	100
Xiamen Haijia Flour Mills Co., Ltd.	Xiamen, Fujian	Flour and bran	180
COFCO Flour Industry Foods (Dezhou) Co., Ltd.	Dezhou, Shandong	Flour and bran	170
Zhengzhou Haijia Food Co., Ltd.	Zhengzhou, Henan	Flour and bran	220
COFCO East Ocean Oils & Grains Industries (Zhangjiagang) Co., Ltd.	Zhangjiagang, Jiangsu	Flour and bran	216
COFCO Flour Industry (Luohe) Co., Ltd.	Luohe, Henan	Flour and bran	150
COFCO Flour Industry (Taixing) Co., Ltd.	Taixing, Jiangsu	Flour and bran	105
		Total production capacity	1,771

Dried noodle capacity

Name of Plant	Location	Product	Production Capacity (metric ton'000)
COFCO Flour Industry (Puyang) Co., Ltd.	Puyang, Henan	Dried noodle	24
Shenyang Xiangxue Flour Limited Liability Company	Shenyang, Liaoning	Dried noodle	22.5
COFCO Flour Industry Foods (Dezhou) Co., Ltd.	Dezhou, Shandong	Dried noodle	7.2
Zhengzhou Haijia Food Co., Ltd.	Zhengzhou, Henan	Dried noodle	6
		Total production capacity	59.7

Bakery capacity

Name of Plant	Location	Product	Production Capacity (metric ton'000)
COFCO TTC (Beijing) Foods Co., Ltd.	Beijing	Bread	1.98
		Total production capacity	1.98

Wheat processing project under construction

Name of project	Location	Details	Product type	Scheduled Completion
Luohe Workshop No. 2 project	Luohe, Henan	800 mt/d wheat processing	Flour and bran	2010

Looking at 2010, the Company will continue to formulate COFCO's and its strategies for the development of the wheat processing business. The Company will speed up the implementation of specialised management and the integration of its operations, enhance its market share and influence in order to maintain stable and healthy growth.

Product

Category	Product
Wheat flour	Three major types of flour with different gluten levels: strong, medium and weak, produced for bread, dumplings, steamed buns, noodles and cakes. Products are sold mostly under the Xiangsue (香雪) brand **Xiangxue Flour** Main products include Prime Flour (極品雪花粉), Self-raising Flour (麥香自發粉), Bread Flour (家用麵包粉), Plain Flour (麥純富強粉), Whole-Wheat Flour (全麥粉) and Dumpling Flour (筋爽餃子粉). Xiangxue flour uses 100% premium imported wheat and the latest flour production technology. It is processed with the highest precision in a fully enclosed production environment. The flour has moderate gluten levels with fine texture, natural colour and a strong aroma.

Category	Product
	Xiangxue Flour – Prime Flour (極品雪花粉) Exceptional quality for steaming with translucent, chewy and delectable textures.
	Xiangxue Flour – Self-raising Flour (麥香自發粉) With quality yeast added, this product meets all requirements for making steamed buns and bread. An ideal ingredient for cooking noodles at home.
	Xiangxue Flour – Bread Flour (家用麵包粉) With strong gluten and a rich aroma, this flour has good baking characteristics and is ideal for baking bread at home.
	Xiangxue Flour – Plain Flour (麥純富強粉) This flour has good steaming characteristics and is ideal for cooking at home. It has a strong wheat aroma and chewy texture.
	Xiangxue Flour – Whole-wheat Flour (全麥粉) This high fibre, nutritious and healthy flour is ideal for cooking noodle dishes at home.
	Dumpling Flour (筋爽餃子粉) This flour meets all requirement for making Chinese dumplings. Chewy and translucent when cooked.
Noodle	Products are mainly sold under the Xiangxue brand, with four series targeted at different customer groups: Gift series: Specialty consumers Noble series: High-income families Original series: White collar Popular series: Mass market **Xiangxue Noodles** Main products include Buckwheat Noodles (蕎麥麵), Egg Noodles (雞蛋龍鬚麵), Yangchun Noodles (爽滑陽春麵), Spirulina Noodles (螺旋藻麵), Wheat Noodles (純麥筋爽麵) and High Gluten Noodles (高筋海撈麵) . Xiangxue series noodles contain natural colour, aroma and taste. They are nutritious, healthy and of high quality. The innovative technologies used in their production have solved the limitation of thickness, cracking and short shelf life of traditional Chinese noodles. Various shapes, standards and texture of noodles are available to suit the preferences of different consumers in China. Products are also sold in North America, Japan, Korea and Southeast Asia.

Category	Product
	Xiangxue Flour – Buckwheat Noodle (蕎麥麵) Characteristics: soft, delectable, multi-purpose Cooking method: noodles in soup
	Xiangxue Flour – Egg Noodle (雞蛋龍鬚麵) A high starch food containing nutrition from eggs to give more energy and replenish strength. Highly nutritious
	Xiangxue Flour – Yangchun Noodles (爽滑陽春麵) Characteristics: thin, smooth and delectable Cooking method: mixing fried noodles and in soup
	Xiangxue Flour – Spirulina Noodles (螺旋藻麵) Made from original ecological spirulina selected from Chenghai Lake, Yunnan, one of the three largest wild spirulina areas in the world. It is added to high-quality specific flour for noodles and pure water from deep underground. The most advanced proprietary technology from Japan is used, ensuring preservation of the primary composition of spirulina.
	Xiangxue Flour – Wheat Noodles (純麥筋爽麵) Characteristics: smooth, chewy Cooking method: mixing noodles, noodles with gravy and cool braised noodles
	Xiangxue Flour – High Gluten Noodles (高筋海撈麵) Characteristics: chewy, firm and capable of withstanding continuous boiling and soaking Cooking method: mixing noodles, noodles with gravy and cool braised noodles
Bread	We produce a variety of freshly baked bread and cakes, including fruit bread, prepared bread, staple bread, puff bread and cakes, which are mainly sold under the Xiangxue brand. **Xiangxue Bread** Using purified air leaching technology, this bread meets international hygiene management standards. Using pure water at the molecular level to protect bread from impurities such as heavy metals. Made from flour using 100% imported fine wheat, which has passed strict inspections. Baked with technology to meet international health trends.

Quality control

Member companies in the Company's wheat processing business emphasise product quality, implementing quality management to ensure full control over the production process. The quality control system undergoes continuous improvement.

Shenyang Xiangxue Flour Company Limited Liability Company
Awarded ISO9000 Quality Management System, HACCP Food Safety System, QS and Export Hygiene Certifications.

COFCO Industry (Qinhuangdao) Pangthai Co., Ltd.
Awarded ISO9001: 2000 International Quality Management system Certification, HACCP Food Safety System Certificate, ISO14001 Environmental Management System Certification, QS Certification and Export Hygiene Certifications.

COFCO Flour Industry (Dezhou) Co., Ltd.
Awarded ISO9000 Quality Management System, ISO14000 Environmental Management System, HACCP Food Safety System, QS Certification and Export Hygiene Certifications.

Zhengzhou Haijia Food Co., Ltd.
Awarded ISO9000 Quality Management System, HACCP Food Safety System, QS and Export Hygiene Certifications.

Puyang COFCO Flour Industry Co. Ltd.
Awarded ISO9000 Quality Management System, HACCP Food Safety System, QS and Export Hygiene Certifications.

COFCO Flour Industry (Luohe) Co., Ltd.
Awarded ISO9000 Quality Management System, HACCP Food Safety System, QS and Export Hygiene Certifications.

COFCO East Ocean Oils & Grains Industries (Zhangjiagang) Co., Ltd.
Awarded ISO9000 Quality Management System, ISO14000 Environmental Management System, ISO18000 Occupational Safety System, HACCP Food Safety System, QS and Export Hygiene Certifications.

Xiamen Haijia Flour Mills Co., Ltd.
Awarded ISO9000 Quality Management System, HACCP Food Safety System, QS and Export Hygiene Certifications.

COFCO TTC (Beijing) Foods Co., Ltd.
Awarded ISO9000 Quality Management System, HACCP Food Safety System and QS Certifications.

Brewing materials business

Brewing materials business

The Company is a leading supplier of brewing materials in the PRC, principally engaged in the production and sales of malt. It owns the largest malt production plant in China. This plant is equipped with advanced facilities and processes to deliver quality products.

As the world's largest beer-consuming country, China consumed 42.364 million kilolitres of beer in 2009, representing an increase of 7.1% over 2008. Despite a slight slowdown compared with previous years, the 2009 growth rate still exceeded the world's average growth rate. The Company reported total malt sales of 431,400 metric tons during the year, which represented a 11.1% growth from 2008 underpinned by continued efforts to increase sales and enlarge market share. Domestic and export sales of malt were 294,200 metric tons and 137,200 metric tons, representing increment of 54.2% and decrease of 30.5% against 2008, respectively.

The selling price of malt plummeted in 2009 under the impact of the financial crisis, which also resulted in sluggish demand and over supply in the market. With the price of our products dropping to a greater extent than raw materials, sales revenue of our brewing materials business decreased by 17.1% from HK$1,806.2 million in 2008 to HK$1,497.8 million.

Product	2009 Volume metric ton '000	2009 Revenue HK$'M	2008 Volume metric ton '000	2008 Revenue HK$'M	Change Volume	Change Revenue
Malt	431.4	1,472.7	388.3	1,786.7	11.1%	-17.6%
– Domestic Sales	294.2	898.3	190.8	911.9	54.2%	-1.5%
– Export	137.2	574.4	197.5	874.8	-30.5%	-34.3%
Others	–	25.1	–	19.5	–	28.7%
Total		1,497.8		1,806.2		-17.1%

Quality products underpinned by state-of-the-art processes

The Company's product mix comprises a myriad of malt products, including Australian Barley Malt, Canadian Barley Malt and Specially Selected Domestic Barley Malt. The Company was a preferred choice of both domestic and overseas breweries for its diversified product categories and excellent, stable quality. Long-term co-operation has been established with domestically and internationally renowned beer groups, such as China Resources Snow Breweries, Carlsberg Group, Anheuser-Busch InBev, Tsingtao Brewery, Beijing Yanjing Brewery, Suntory, Kirin Brewery, Asahi, San Miguel and Blue Ribbon Beer. In addition to domestic sales, some of the Company's products are exported to Southeast Asian countries.

Working with renowned international grain suppliers, the Company strictly controls the quality of imported malting barley. Domestic malting barley is also produced in major growing areas in China according to customer requirements, and the quality of this home-grown malting barley is ensured through stringent supplier management and quality control.

Our malt production is carried out using an advanced tower malting system, whereby the entire process is subject to computerised programme-control. Temperature, humidity and ventilation are automatically calibrated based on different raw materials and external climatic conditions to facilitate stable production of fine-quality malt. In addition, a smart logistics system supported by advanced bulk grain handling and storage facilities has been installed to ensure efficient operation while meeting the storage needs for malting barley and commodity malt.

The Company committed itself to reducing energy consumption in its operations by undertaking process innovation and technology upgrades. These upgrades also helped reduce emissions and control production costs.

Market leadership through capacity expansion

The Company has been expanding production capacity on an ongoing basis, with a view to consolidating its market share and leadership. As at the end of 2009, the Company had a malt processing capacity of 660,000 metric tons.

The Company's new malt production plant in Yakeshi, Inner Mongolia, is currently under construction and scheduled for completion in July 2010, when its malt processing capacity will be increased to 740,000 metric tons per annum.

Malt processing capacity

Name of Plant	Location	Products	Production Capacity (metric ton'000)
Dalian COFCO Malt Co., Ltd.	Dalian, Liaoning	Malt	360
Phase I of COFCO Malt (Jiangyin) Co., Ltd.	Jiangyin, Jiangsu	Malt	120
Phase II of COFCO Malt (Jiangyin) Co., Ltd.	Jiangyin, Jiangsu	Malt	180
		Total Production Capacity	660

Despite the slowdown in 2009, China's beer market still holds out enormous growth potential over the longer term as the world's largest beer-drinking nation, with certain developing regional markets continuing to enjoy double-digit growth. In line with the development of the beer market, the brewing materials industry is expected to experience healthy growth.

The Company seeks to control its exposure to raw material price fluctuations by expanding channels for raw materials and exercising strict control over purchases. In the meantime, the Company will continue to sharpen its competitive edge by improving its product mix.

Products

Category	Product
Malt	Malt is the essence of beer and the main raw material of brewing. Malt contains rich hydorlases and significant quantities of carbohydrates, amino acid and plant gallate, which provide the nutrition required for yeast to ferment. It is widely used by brewers around the world. After steeping, germinating and kilning, a chemical change takes place in barley kernel, and rich nutritional enzymes, carbohydrates and amino acids are produced. At the same time, the excess vapour and grassy aroma are eliminated, and a special fragrance is produced. In the final stage of processing, barley malt is created which plays the most critical role in the brewing process, as it directly affects the texture, colour and clarity of beer. Only very fine malt can produce high quality beer. Our core products include the following: **Australian Barley Malt** Processed from fine Australian two-row malt barley, the first choice of world-famous breweries. **Canadian Barley Malt** Processed from fine Canadian malt barley. Thanks to its unique character, it is widely used by international brewers such as Anheuser-Busch InBev and Suntory. **Specially Selected Domestic Barley Malt** Specially processed from high-quality malt barley selected from Xinjiang and Gansu. **Premium Barley Malt** Combining the special requirements of texture and quality control to ensure stability and evenness characterised by high quality malt for premium beer.

Quality Control

Our production facilities in Dalian and Jiangyin have been accredited with ISO9001:2000 and HACCP certification. In addition, to ensure effective monitoring of barley raw materials, malt in process and finished malt, the Company has installed equipment of leading international standards for laboratory testing, analysis and inspection according to the analysis methods set out by The European Builders Confederation (EBC) and The American Society of Brewing Chemists (ASBC).

Management Discussion and Analysis

Our Group, being a leading producer and supplier of processed agricultural products in China, is fully committed to provide quality products and service through our food chains to our customers at reasonable prices.

Financial Review

The Group's Results for the Year

The financial performance of agricultural processing industry is widely affected by the changes in climate, government policy, commodity prices, global supply and demand, as well as other external economic factors. It is commonly known that the year of 2009 was full of challenges globally and the financial turmoil has thoroughly influenced all economic sectors with stagnant business activities. The economic downturn brought a heavy slump in prices of commodity and products. While with timely and efficient adjustment of our sales strategy, implementation of effective cost control measures, fortifying organic growth mode and continuing development of brand business, we are able to achieve a Group's revenue of HK$43,827.9 million for the year ended 31 December 2009, an increase of 4.8% from HK$41,802.1 million in 2008.

For the year ended 31 December 2009, the Group's profit attributable to the owners of the Company was HK$1,952.0 million, a decrease of HK$672.9 million from HK$2,624.9 million for 2008. Basic earnings per share also decreased from HK73.0 cents for 2008 to HK51.7 cents for 2009. The decline in profit was primarily attributed to the decline in gross profit margins of oilseeds processing and brewing materials business units against their unusually robust performance in 2008. However, the profit setback in 2009 did not affect the long-term prospects of the Company as the overall profitability returned to normal level and augurs well with the management's expectation.

Finance costs were decreased by 38.5% to HK$239.1 million for the year due to the favourable offsetting effect of low interest rates against the additional loan borrowings to meet the working capital and new investment projects of the Group.

Income tax expense for the year amounted to HK$292.0 million (2008: HK$883.5 million), representing a decrease of 67.0% compared with the previous year. The drop was mainly attributable to the fall in profit for the year as compared with last year. The breakdown of the tax expense is set out in note 10 to the financial statements.

Segment Information

The slight increment in the Group's revenue was contributed by various results of the five business segments. During the year, the financial crisis posed a negative impact on the pricing of almost all our major products. The oilseeds processing unit remained as the largest revenue and segment results contributor for our Group, accounting for 61.2% (2008: 65.9%) of the total revenue and 48.7% (2008: 72.0%) of segment results for the year.

Revenue contributed by our oilseeds processing business amounted to HK$26,811.8 million (2008: HK$27,539.5 million), representing a slight decrease of 2.6% over the year. As a result of global economic downturn, the prices of raw materials have shown a downward trend, which in turn exerted price pressure on our oilseeds products. In particular, the fall in prices for finished products exceeded the corresponding fall in prices for the relevant raw materials. Nonetheless, the relevant sales volume has been increased compared with 2008. Through the effective hedging policy of our oilseeds processing business, the risk of price fluctuations for raw material and related products was reduced. During the year, our gross margin returned to 4.3% from an exceptional high level of 11.5% in 2008. Considering the improving economic environment and the completion of new investment projects in a fast pace, the sales volume and sales revenue of our oilseeds products are expected to further grow.

The revenue of our biofuel and biochemical business for the year was increased by 33.1% from HK$5,824.5 million in 2008 to HK$7,750.6 million. The increase was mainly attributable to the effective cost control measures and the uplift of sales volume of our products upon the increase in production capacity of the investment projects. In addition, the business was also benefited from the government grants on ethanol and corn products under the government fiscal policies during the year. As a result, the gross margin was up slightly from 10.4% in 2008 to 11.6%. The biofuel and biochemical segment contributed to the second largest revenue and segment results of the Group during the year.

The Group's revenue from rice trading and processing business was increased from HK$3,383.0 million in 2008 to HK$4,106.8 million during the year. The momentum was mainly driven by the surge in domestic sales and timely uplifting of selling price of exporting rice in 2009. The domestic sales become a key drive for growth notwithstanding the Group remains as the largest rice exporter in China. In 2009, domestic sales increased to 343,000 metric tons, up 176.6%. Through effective sales strategy, satisfactory sales channels, product mix and brand building, a solid foundation was secured for domestic sales business of the rice segment with its gross margin successfully maintained at a relatively high level of 18.0% (2008: 22.8%) during the year. The rice segment remained as the third largest contributor in terms of revenue and segment results in 2009.

Being one of the largest wheat processors in China, our wheat processing unit continued to benefit from the economies of scale and differentiated sales strategies for customers during the year. The revenue of wheat processing unit rose to HK$3,661.0 million (2008: HK$3,248.9 million) for the year, showing an increase of 12.7% compared to 2008. The main reason of the increment was the increase in product prices driven by the rise in raw material prices as well as the increase in sales volume. Gross margin for the year was maintained at 9.3% compared to 9.6% in 2008. We aim at expanding our flour capacity and market share by adjusting our product mix in the future.

Negated by the financial turmoil in 2009, the industry for brewing materials struggled due to the sluggish demand of its products and sharp decrease in prices of raw materials and its products. The brewing materials business recorded a drop in revenue from HK$1,806.2 million in 2008 to HK$1,497.8 million and a loss of HK$7.7 million as the fall in raw material costs lagged behind the fall in prices of finished products during the year. The brewing materials unit will strive for increasing its competitiveness and boosting the sales and profit by exploiting the export and domestic sales businesses.

Major Acquisitions and Establishment of New Companies

During the year ended 31 December 2009, four new companies were established by the Group. Three new companies, namely Zhangjiagang COFCO East Ocean Storage Co., Limited, Hubei COFCO Xiangrui Oils & Grains Storage Co., Limited and Tianjin COFCO Excel Joy Lingang Storage Co., Limited, were formed with COFCO Corporation during the year. In addition, Tianjin COFCO Excel Joy Oils and Grains Terminal Co., Limited was established by the Group, COFCO Corporation and Tianjin Lingang Industry Port Corporation. The Group's total capital commitments of these new companies amounted to approximately HK$798 million.

On 17 April 2009, the Group acquired 100% interests in Guangxi China Resources Hongshui River Pier Storage Co., Limited, which subsequently changed its name to COFCO Oils (Qinzhou) Co., Ltd., from independent third parties for a consideration of HK$90.8 million, which is planning to build a base of processing edible oil.

On 28 April 2009, the Group completed the acquisitions of shares in Kindgain Limited, Uptech Investments Limited, Cheerlink International Limited and Parkwing Limited for an aggregate consideration of HK$1,030.8 million which was satisfied by the issue of 263,626,483 shares in the Company at an issued price of HK$3.69 per share pursuant to the relevant share purchase agreements. The fair value of share at issue date was HK$3.91 per share. The acquisitions enhanced the Group's crushing, refining, corn processing and packaging capacity.

During the year, COFCO Bio-Chemical Energy (Gongzhuling) Co., Ltd., a wholly-owned subsidiary of the Company, acquired assets, consisting of land, buildings, structures and equipment and machinery for a consideration of HK$127.9 million.

On 30 September 2009, the Group acquired 100% equity interest in COFCO Rongs Biotech Co., Ltd. from an independent third party at a consideration of HK$94.2 million.

On 18 December 2009, the Group entered into the Share Purchase Agreement with COFCO (Hong Kong) Limited to acquire 100% equity shares of COFCO (BVI) No.84 Limited and its wholly-owned subsidiary, COFCO (Jiangyin) Cereals, Oil & Warehouse Corporation Limited, for a consideration of approximately HK$154.8 million. The acquisition will be able to provide logistical services including storage and loading/unloading to COFCO Malt (Jiangyin) Co., Ltd. by acting as a fully functional supporting facility after going into operation. The transaction was completed on 26 January 2010.

Liquidity and Financial Resources

The Group consistently adopts a prudent financial management policy in the management of its financial affairs. Its liquidity and financial resources are closely monitored to ensure the cash inflows from operating activities together with undrawn banking facilities are sufficient to meet the demands for daily operational needs, loan repayments, capital expenditure and potential business expansion opportunities. The Group's operations were mainly financed by its own funds and bank loans.

During the year, the Group entered into the Financial Services Agreement and the Entrustment Loan Framework Agreement with COFCO Finance Company Limited and COFCO Agricultural Industries Management Services Company Limited (a subsidiary of the Company) in order to provide for more efficient employment of funds within the Group, reduce the external loans of the Group effectively and better facilitate intra-Group settlement services.

The Group uses commodity futures contracts to hedge its risks associated with price fluctuations in raw materials purchases or sales of the related products, as well as foreign currency forward contracts to hedge the exchange rate exposure between Hong Kong dollars, United States dollars and Renminbi.

Cash Position

The Group continued to be in a strong financial position with available cash and bank deposits (including pledged deposits) amounting to HK$5,539.1 million (2008: HK$4,958.0 million) as at 31 December 2009. During the year, the net cash outflow from operations of approximately HK$3,116.3 million (2008: net cash inflow of HK$2,110.9 million) was recorded. These liquid funds were mainly denominated in Hong Kong dollars, Renminbi and United States dollars.

Bank Loans and Other Borrowings

As at 31 December 2009, the total interest-bearing bank loans and other borrowings amounted to HK$12,829.3 million (2008: HK$6,376.1 million). The increment in amount was mainly used for the working capital purpose of the Group. Out of the Group's total bank loans and other borrowings, 91.3% (2008: approximately 81.9%) was repayable within first year and 8.7% (2008: approximately 18.1%) was repayable within second to fifth years. Among the Group's total bank loans and other borrowings, HK$11,118.1 million or 86.7% (2008: HK$4,440.4 million or 69.6%) are at fixed interest rates. As at 31 December 2009, the Group has pledged assets with an aggregate carrying value of HK$391.7 million (2008: HK$1,299.8 million) to secure bank loans and facilities of the Group. The Group had unutilised committed banking facilities totalling HK$1,950.0 million (2008: Nil) as at 31 December 2009.

Net Gearing Ratio and Liquidity Ratio

The net gearing ratios and liquidity ratios of the Group as at 31 December 2009 and 2008 are set out below:

	2009	2008
Net gearing ratio at year-end (the ratio of net debt to shareholders' equity)	**46.1%**	10.4%
Liquidity ratio at year-end (the ratio of current assets to current liabilities)	**1.38**	1.58

The net debt, representing the Group's interest-bearing bank loans and other borrowings less cash and cash equivalents and pledged deposits, amounted to HK$7,290.2 million (2008: HK$1,418.1 million) at 31 December 2009.

Capital Expenditures

The total capital expenditures of the Group were HK$2,574.7 million (2008: HK$1,073.5 million) for the year ended 31 December 2009 as tabulated below:

	2009 **HK$'million**	2008 HK$'million
Business units:		
Biofuel and biochemical	**817.5**	563.0
Oilseeds processing	**1,317.5**	104.7
Rice trading and processing	**187.7**	69.9
Wheat processing	**88.0**	22.5
Brewing materials	**158.1**	313.1
Corporate and others	**5.9**	0.3
	2,574.7	1,073.5

Capital Commitments

Capital commitments outstanding and not provided for in the financial statements of the Group as at 31 December 2009 amounted to HK$6,444.3 million (2008: HK$2,236.5 million). These commitments are to be financed by loans and working capital of the Group. A summary of the capital commitments is set out below:

	2009 HK$'million	2008 HK$'million
Capital commitments in respect of property, plant and equipment:		
Authorised, but not contracted for	**5,442.9**	2,007.7
Contracted, but not provided for	**1,001.4**	228.8
	6,444.3	2,236.5

HUMAN RESOURCES

The Group employed 16,485 staff (2008: 15,081) as at 31 December 2009:

	2009 Number of staff	2008 Number of staff
Biofuel and biochemical business	**7,910**	7,105
Oilseeds processing business	**3,790**	3,602
Rice trading and processing business	**1,063**	726
Wheat processing business	**3,095**	3,075
Brewing materials business	**544**	496
Corporate	**83**	77
	16,485	15,081

The Group's employees are remunerated according to job nature, individual performance and market trends with built-in merit components. Total remuneration (excluding directors' remuneration) for the year ended 31 December 2009 amounted to HK$713.6 million (2008: HK$655.7 million). Employees in Hong Kong receive retirement benefits, mostly in the form of a Mandatory Provident Fund entitlement, and a similar benefit scheme is offered to employees in the PRC. Of the total remuneration, pension scheme contribution amounted to HK$66.4 million (2008: HK$43.9 million) for the year.

The Group adopted a share option scheme on 12 January 2007 to attract, retain and motivate eligible participants to acquire equity interests in the Company, and to encourage them to work towards enhancing the value of the Company.

Corporate Governance Report

Introduction

The Company recognises the importance of corporate transparency and accountability. The Directors are committed in 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 principles of the Company emphasis on upholding sound ethics and integrity in all aspects of its businesses, and on ensuring that affairs are conducted in accordance with the applicable laws and regulations.

The Company has complied throughout the year ended 31 December 2009 with all the applicable code provisions and, where appropriate, the applicable recommended best practices of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange Limited (the "Listing Rules") except the absence of the Chairman of the Board at the annual general meeting of the Company held on 9 June 2009 due to another business commitment.

Corporate governance event calendar

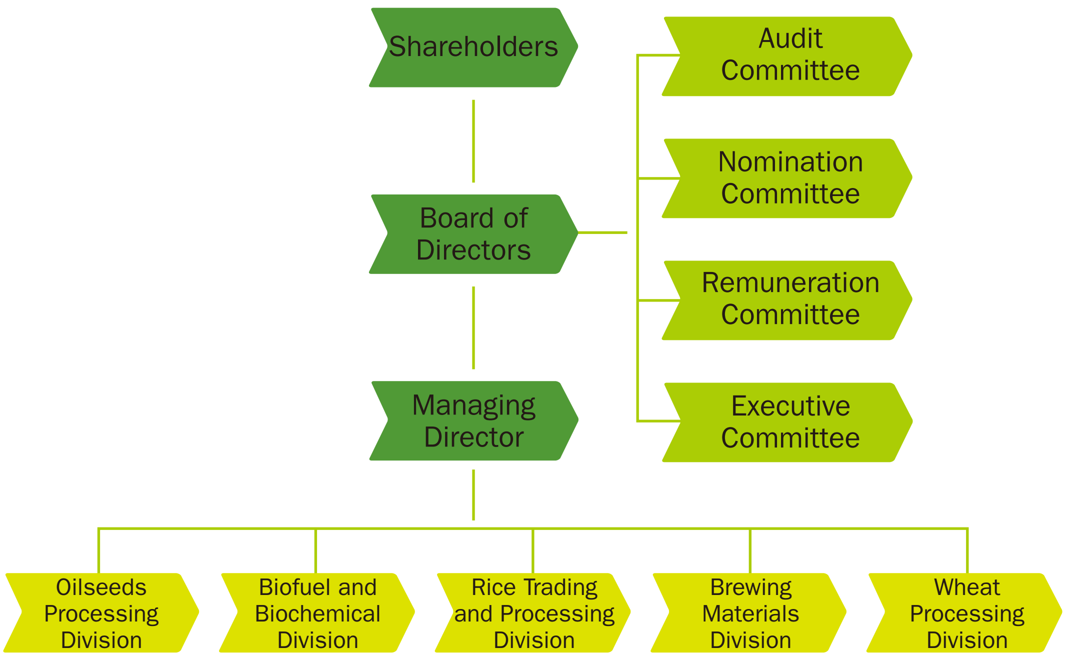
Feb 2009	Establishment of the Company's Executive Committee
	Provision of Board training in respect of the new amendments to the Listing Rules
	Adoption of the revised Codes for Securities Transactions by Directors and Relevant Employees (the "Securities Transactions Codes")
Oct 2009	Adoption of the Corporate Governance Manual for the Board of Directors
	Adoption of the Code of Business and Personal Conducts
	Adoption of the revised Securities Transactions Codes

Securities transactions by directors and relevant employees

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules as the principal standards of securities transactions for the 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 year ended 31 December 2009 in relation to their securities dealings, if any.

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 (the "Employees Model Code"). Specified employees who are likely to be in possession of unpublished price-sensitive information related to the Group and its activities must also comply with guidelines as exacting as those set out in the Model Code. During the year, the Company has not received any non-compliance report from any of such employees.

Corporate governance structure



The Board

The Board is responsible for the leadership and control of the Company and overseeing the Group's business, strategic decisions and performances. The management is delegated with the authority and responsibility by the Board for the management of the Group. In addition, the Board has also established various Board committees and delegated various responsibilities to the Board committees including the audit committee (the "Audit Committee"), the remuneration committee (the "Remuneration Committee"), the nomination committee (the "Nomination Committee") (together, the "Board Committees") and the executive committee (the "Executive Committee"). All the Board Committees perform their distinct roles in accordance with their respective terms of reference. Further details of these committees are set out hereunder.

Other than resolutions passed by means of resolutions in writing of all Directors, the Board held fifteen meetings (including two INEDs meetings, four regular Board meetings and nine normal meetings) during the year to, among other things, consider and approve the interim and final results of the Group, and discuss business strategy. The information on the number of the regular Board meetings attended by each Director during the year is set out in the following table:

Name of Director	Board: Regular meetings	Board: Meetings of independent non-executive Directors	Board: Other meetings
Chairman and Non-Executive Director			
NING Gaoning	3/4	N/A	2/9
Executive Directors			
YU Xubo (managing director)	4/4	N/A	6/9
LU Jun	4/4	N/A	6/9
YUE Guojun	3/4	N/A	2/9
Non-Executive Directors			
CHI Jingtao	3/4	N/A	6/9
MA Wangjun	3/4	N/A	4/9
Independent Non-Executive Directors			
LAM Wai Hon, Ambrose	4/4	2/2	9/9
Victor YANG	4/4	2/2	9/9
Patrick Vincent VIZZONE	4/4	2/2	9/9

The Company adopts the practice of holding regular Board meetings at least four times a year. Notice of each meeting is sent to Directors at least fourteen days prior to a regular Board meeting, and Directors may request inclusion of matters in the agenda for Board meetings. For ad hoc Board meetings, reasonable notices are given.

It is the practice of the Company that minutes of meetings of the Board and Board Committees be recorded in sufficient detail of the matters considered by the Board and Board Committees, decisions reached, including any concerns raised by the Directors or dissenting views expressed. Draft and final versions of minutes of the Board and/or Board Committees (as the case may be) are sent to the Directors, in average within 3 weeks after the date of the respective meeting, for their comments and records respectively. The decisions of the Board can be made via written resolutions authorised by all Directors.

All Board members have access to the advice and services of the company secretary. Minute books (including minutes of meetings of all Board Committees) are kept by the company secretary and are open for inspection during office hours on reasonable notice by any Director.

If necessary, Directors also have access to external professional advice at the Company's expense.

Chairman and managing director

The chairman of the Board is Mr. Ning Gaoning, and the chief executive officer (or managing director, in the case of the Company) is Mr. Yu Xubo. The chairman's and the managing director's roles are clearly defined to ensure their respective independence.

The chairman takes lead in formulating the overall strategies and policies of the Group, and ensures effective performance by the Board of its functions, including compliance with good corporate governance practices, and encourages and facilitates active contribution of Directors in Board activities and constructive relations between executive and non-executive Directors. The chairman also ensures that a system of effective communication with shareholders of the Company and receipt by the Directors of adequate and complete information is in place.

The managing director, as the chairman of the Executive Committee, supported by other Board members and the senior management, is responsible for the daily business operations and management of the Group. He is accountable to the Board for the implementation of the Group's overall strategies as well as co-ordination of overall business operations.

Board composition

The Board currently comprises nine Directors, namely, Mr. Ning Gaoning as the chairman and non- executive Director; Messrs. Yu Xubo (managing director), Lu Jun and Yue Guojun as executive Directors; Messrs. Chi Jingtao and Ma Wangjun as non-executive Directors; and Messrs. Lam Wai Hon, Ambrose, Victor Yang and Patrick Vincent Vizzone as independent non-executive Directors.

The Board members have no financial, business, family or other material or relevant relationships with each other. The composition of the Board has met the standard of recommended best practice under the Code for the Board to have at least one-third of its members comprising independent non-executive Directors.

The Company has received annual written confirmations from each of the independent non-executive Directors confirming their independence in accordance with Rule 3.13 of the Listing Rules. The Board has assessed their independence and concluded that all the independent non-executive Directors are independent within the definition of the Listing Rules.

Appointment, re-election and removal

Currently, each of the non-executive and independent non-executive Directors has a specific term of appointment for three years.

Pursuant to Article 106 of the articles of association of the Company ("Articles of Association"), at every annual general meeting, one-third of the Directors or, if their number is not a multiple of three, then the number nearest to and at least one-third shall retire from office by rotation at least once every three years. A retiring Director shall be eligible for re-election. The Company considers that sufficient measures have been taken to ensure that the Company's practices in appointment of Directors are no less exacting than those set out in the Code.

During the year, Messrs. Yu Xubo, Chi Jingtao and Lam Wai Hon, Ambrose shall retire at the forthcoming 2010 annual general meeting of the Company and being eligible, each of them will offer himself for re-election pursuant to Article 106 of the Articles of Association.

To enable shareholders of the Company to make an informed decision on the re-election of Directors, the biographies of the retiring Directors are set out in this annual report under the section headed "Directors and Senior Management Profile", which demonstrates a diversity of skills, expertise, experience and qualifications among the Directors.

Responsibilities of Directors

The Company ensures that every newly appointed Director has a proper understanding of the operations and businesses of the Group and that he is fully aware of his responsibilities under statute and common law, the Listing Rules, applicable legal requirements and other regulatory requirements and the business and governance policies of the Company. The Company sponsors Directors to attend professional development seminars where necessary. In addition, the Company's legal adviser would provide training (including any update) on the Listing Rules and regulatory requirements (if required) to the Directors.

The independent non-executive Directors take an active role in Board meetings, contribute to the development of strategies, internal control and policies and make independent judgment on issues relating to the Group. They will take lead where potential conflicts of interest arise. The independent non-executive Directors also represented the majority in all three of the Nomination Committee, the Remuneration Committee and the Audit Committee to ensure sufficient independence in the Board's decision making process.

Board committees

Nomination committee

The Nomination Committee was established on 16 February 2007 with specific written terms of reference in accordance with the requirements of the Code. The terms of reference of the Nomination Committee are available in writing upon request to the company secretary and on the Company's website. The Nomination Committee currently comprises Mr. Ning Gaoning (the chairman of the Company and non-executive Director) as the chairman of the Nomination Committee, Mr. Chi Jingtao (non-executive Director), Messrs. Lam Wai Hon, Ambrose, Victor Yang and Patrick Vincent Vizzone (independent non-executive Directors).

The Nomination Committee is primarily responsible for the procedure of nominating appropriate persons and appointing its members, either to fill a casual vacancy or as an addition to the Board.

During the year, the Nomination Committee held two meetings to review the composition of the Board Committees and to consider the rotation of retirement of Directors at the 2010 annual general meeting of the Company. All Nomination Committee members attended the regular Nomination Committee meeting. Details of individual attendance of each Nomination Committee members are as follows:

Name of Nomination Committee member	No. of Nomination Committee meetings held during the member's term of office during the year	No. of Nomination Committee meetings attended	Attendance rate
NING Gaoning (Chairman of Nomination Committee)	2	2	100%
CHI Jingtao	2	2	100%
LAM Wai Hon, Ambrose	2	2	100%
Victor YANG	2	2	100%
Patrick Vincent VIZZONE	2	2	100%

During the year, the executive Directors were appointed based on their qualifications and experience in relation to the Group's businesses. The non-executive Directors were appointed based on their qualifications and experience within COFCO Corporation ("COFCO") and its subsidiaries ("COFCO Group"). The independent non-executive Directors were appointed based on their professional qualifications and experience in their respective areas.

The circular of the Company dated 22 April 2010 contains detailed information on re-election of Directors including biographies of those Directors standing for re-election to enable shareholders to make informed decisions.

Remuneration committee

The Remuneration Committee was established on 16 February 2007 with specific written terms of reference in accordance with the requirements of the Code. The terms of reference of the Remuneration Committee are available in writing upon request to the company secretary and on the Company's website. The Remuneration Committee currently comprises Mr. Chi Jingtao (non-executive Director) as the chairman of the Remuneration Committee, Mr. Ma Wangjun (non-executive Director), Messrs. Lam Wai Hon, Ambrose, Victor Yang and Patrick Vincent Vizzone (independent non-executive Directors).

The primary role of the Remuneration Committee is to make recommendations to the Board on the Company's policy and structure for remuneration of Directors and senior management.

The Remuneration Committee may consult with the chairman and managing director of the Company regarding proposals for the remuneration of other executive Directors. The remuneration of the non-executive Directors is determined by the chairman of the Company (except for his own remuneration) and the executive Directors. Where necessary, the Remuneration Committee may have access to external professional services at the Company's expenses.

The existing remuneration policy of the executive Directors is determined by the Remuneration Committee having considered the qualifications and experience of each of the executive Directors and with reference to the remuneration policy of other listed companies of similar business and size. The remuneration policy of the non-executive Directors and the independent non-executive Directors is determined by their participation in the Board and the Board Committees.

During the year, the Remuneration Committee held two meetings to review the existing remuneration packages of the executive Directors and senior management as well as to consider the grant of share options to the relevant Directors and the employees. Details of individual attendance of each Remuneration Committee members are as follows:

Name of Remuneration Committee member	No. of Remuneration Committee meetings held during the member's term of office during the year	No. of Remuneration Committee meetings attended	Attendance rate
CHI Jingtao (Chairman of Remuneration Committee)	2	2	100%
MA Wangjun	2	2	100%
LAM Wai Hon, Ambrose	2	2	100%
Victor YANG	2	2	100%
Patrick Vincent VIZZONE	2	2	100%

Audit committee

The Audit Committee was established in February 2007 with specific written terms of reference which clearly deal with its authority and duties. The terms of reference of the Audit Committee are available in writing upon request to the company secretary and on the Company's website. The Audit Committee currently comprises Mr. Lam Wai Hon, Ambrose (independent non-executive Director) as the chairman of the Audit Committee, Messrs. Ma Wangjun and Chi Jingtao (non-executive Directors), Messrs. Victor Yang and Patrick Vincent Vizzone (independent non-executive Directors). In compliance with Rule 3.21 of the Listing Rules, the chairman of the Audit Committee has possessed the appropriate professional and accounting qualifications.

Under its terms of reference, the Audit Committee shall assist the Board in fulfilling its corporate governance and oversight responsibilities in relation to financial reporting, internal control, risk management and external audit functions. Although it is the management's duty to ensure the Company's accounting and financial reporting function maintains adequate amount of qualified and experienced staff. The Audit Committee is further authorised by the Board to investigate any activity within its terms of reference, and may make recommendations to the Board to take appropriate actions emanating from such investigations. The Audit Committee has unrestricted access to personnel, records, external auditors and senior management, as may be appropriate in discharging its functions.

Certified/Chartered Accountants in the Company:

Name of Professional Institution	No. of staff
The Chinese Institute of Certified Chartered Accountants	19
Association of Certified Chartered Accountants	4 *
American Institute of Certified Public Accountants	1 **
Hong Kong Institute of Certified Public Accountants	4
Institute of Chartered Accountants in England and Wales	1 **

* *Three out of these four individuals are also members of the Hong Kong Institute of Certified Public Accountants.*
** *This individual is also a member of the Hong Kong Institute of Certified Public Accountants.*

Other Qualifications:

Name of Professional Institution	No. of staff
Institute of Certified Management Accountants	1
Certified General Accountants of Canada	1
Chartered Financial Analyst Institute	1

During the year, the Audit Committee held five meetings with the external auditors and the senior management of the Company to review and discuss, among other things, the financial reporting and audit planning, internal control and the financial results of the Group. Details of individual attendance of each Audit Committee members are as follows:

Name of Audit Committee member	No. of Audit Committee meetings held during the member's term of office during the year	No. of Audit Committee meetings attended	Attendance rate
LAM Wai Hon, Ambrose (the "Chairman of Audit Committee")	5	5	100%
Victor YANG	5	5	100%
Patrick Vincent VIZZONE	5	5	100%
CHI Jingtao	5	2	40%
MA Wangjun	5	5	100%

Executive committee

The Executive Committee was established on 27 February 2009 with specific written terms of reference. The Executive Committee currently comprises Mr. Yu Xubo (Managing Director) as the chairman of the Executive Committee, Messrs. Lu Jun and Yue Guojun as Executive Directors.

Under its terms of reference, the primary responsibility of the Executive Committee is to deal with and supervise the day-to-day business operations, management and administration of the Company.

Auditors' remuneration

During the year under review, the remunerations paid or payable to Ernst & Young in respect of its audit services and non-audit services are HK$5.57 million and HK$1.09 million, respectively.

Accountability and audit

The Directors acknowledge their responsibilities for preparing all information and representations contained in the financial statements of the Company for the year under review. The Directors consider that the financial statements have been prepared in conformity with the generally accepted accounting principles in Hong Kong, and reflect amounts that are based on the best estimates and reasonable, informed and prudent judgment of the Board and the management with an appropriate enquires, were not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern. Accordingly, the Directors have prepared the financial statements of the Company on a going concern basis.

The Company's operating results for the year ended 31 December 2009 were reviewed by the management during the annual management meeting. Management personnel of all business units and functional departments of the Company had attended the meeting and the Managing Director presented the Company's overall and divisional operating results during the meeting. Variations from the budget and from the previous year's results were reviewed and analysed. In this review process, the management identified the effects of the key risk factors that affected the Company's businesses during the year and consolidated them with their expectations of the business performance they accumulated during their daily management of the businesses to form a basis for comparison and verification of the details of the reported operating results for the year.

Based on the results of the above management review and the business risks identification, an overall business strategy of the Company for the coming year was also developed during this annual management meeting. To ensure the achievement of the goals and objectives set for the coming year, this overall business strategy also includes plan for continuing risks assessment and the development of the necessary internal control procedures.

The Company has announced its annual results for the financial year ended 31 December 2009 on 30 March 2010. An independent Auditors' Report is included in this annual report on pages 108 and 109.

Internal control

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

The COSO (the Committee of Sponsoring Organisations of the Treadway Commission) framework is adopted by the Company in developing its internal control system. The major elements of the governance framework include a stable control environment that supports sustainable growth, a comprehensive risk management system, a system of effective control activities, an efficient information and communications system, and a management monitoring process. The Board empowered the management with the responsibilities and the necessary authorities to develop and implement an effective system of internal controls.

Business objectives set by the Board were fully discussed among the management team during the annual management meeting. Risks associated with achieving or not achieving these objectives were identified and assessed during these management discussions. Based on the results of these discussions, the management developed detailed business strategies for the year. These strategies include the plan for the development and the implementation of the necessary control activities and management monitoring process. Periodic review on the effectiveness of these business strategies are performed by the management to ensure the necessary adjustments be made to accommodate the changes in internal and external environment. The Company's Risk Management Committee which reports directly to the Managing Director is responsible for overseeing the Company's overall risk management practice and the related policies setting process (also refer to the "Risk Management" section of this annual report for details regarding the development of the Company's Risk Management System).

Internal audit

The Company's Audit Department is led by the Head of Audit Department and includes over 50 professional staff. The Head of Audit Department reports directly to the Audit Committee and the Managing Director and attends all Audit Committee and Board of Directors meetings.

The Audit Department's primary responsibilities include:

- Assist the Audit Committee in its review of the Company's overall system of internal controls;
- Perform reviews on the design and the proper implementation of policies, procedures and controls of all major business units and functional departments;
- Perform reviews on the compliance status on rules and regulations that are relevant to the Company's businesses;
- Perform efficiency and compliance reviews on major investment and construction projects; and
- Perform special reviews on areas of concern identified by the Audit Committee or the management.

An annual internal audit plan is prepared by the Audit Department based on a risk-based auditing approach. The approach focuses on the internal controls of material transactions and operations of major business units and functional departments. The annual internal audit plan is reviewed and approved by the Audit Committee at the beginning of each year.

In addition to the review of the Company's internal control activities, the Audit Department is also responsible for providing recommendations to the Board on the continuing development of other aspects of the Company's internal control framework, including the risk management process, information and communication system and management monitoring process.

Internal control review

The Board assesses the effectiveness of the overall system of internal control by considering reviews performed by the Audit Committee, the management as well as both internal and external auditor with the understanding that such system is an ongoing process to identify, evaluate and manage significant risks faced by the Group. The internal control system of the Group has been in place and was functioning effectively for the year under review and the process is regularly reviewed.

Whistle-blowing policy

A whistle-blowing policy was set up by the Company to ensure inappropriate business practices and behaviors are properly reported and handled. The policy includes the set up of an electronic reporting mailbox. The Audit Committee and the Managing Director have full and direct access to this mailbox. Follow up review will be performed by the Audit Department on the request of the Audit Committee or the Managing Director. Procedures and controls are in place to ensure the informant's identity is kept confidential.

Investor Relations

China Agri is committed to developing effective and efficient two-way communication with its shareholders and the financial community at large. We believe that shareholder value can be maximised by maintaining a high degree of transparency and proactively communicating the Company's outlook and development through an open and continuous dialogue with the financial community.

Despite the negative sentiment globally in 2009, we believe that it is even more important for our business to retain a high visibility and remain committed to regular communication with investors.

We continued to provide timely and relevant information to the financial community and encourage feedback and comments from the public via a number of exchange platforms. We organised post-results briefings to analysts and the press to provide updates on the Company's business development; arranged face-to-face meetings with existing and potential investors to enhance their understanding of the Company; webcasted analyst presentations and arranged conference calls from time to time to strengthen the Company's relations with overseas investors; and participated in luncheons and non-deal investor roadshows on a regular basis.

In an initiative to further enhance disclosure in our financial reports, we set up a team of department representatives from across the Company in 2009 dedicated to publishing timely, accurate and clearly-presented information for shareholders, stakeholders, employees and others who may have an interest in the performance and activities of China Agri.

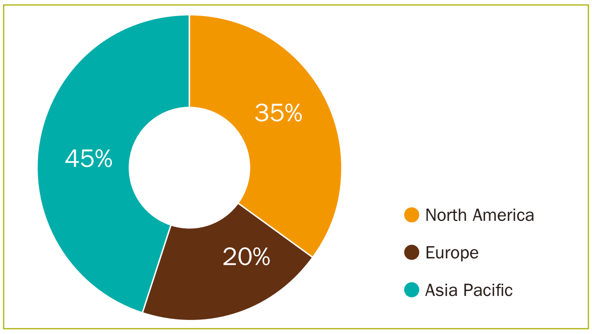
During the year, China Agri was recognised for its commitment to improving its own corporate governance standards and setting a good example in Hong Kong as a model of good corporate governance. Local and regional awards received by the Company included the "Hong Kong Corporate Governance Excellence Awards" co-organised by the Chamber of Hong Kong Listed Companies and the Centre for Corporate Governance & Financial Policy of Hong Kong Baptist University; the "Directors Of The Year Awards" by The Hong Kong Institute of Directors; the "Annual Recognition Awards" by *Corporate Governance Asia*; and the "Triple A Corporate Governance Awards" by *The Asset*.

Our business performance is covered by a host of investment firms. For a complete list of analysts, please visit our website at www.chinaagri.com.

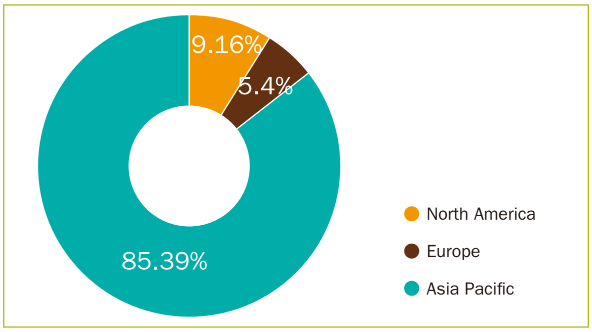
We review the Company's ownership structure on a regular basis to identify the mix of institutional and retail shareholders.

The geographical distribution of our top 20 investors is shown below:

By number of investors



By number of shares



Risk Management

Our philosophy

We believe that risk management is the key to the survival and sustainability of an organisation. This is specially true in an ever changing economy like the one we are facing now. We also believe that risk management is the responsibility of management personnel at all level of the organisation. Risk management is an integral and inseparable part of the duty of management's daily businesses.

Our objectives

The objectives of establishing our risk management system are: to control the risks which may hamper the achievement of our strategic and operational goals within a level acceptable to our management through reasonable, standardised and scientific risk management and monitoring processes; to ensure compliance with the relevant laws and regulations of the state and of the relevant authorities; to ensure the proper implementation of key measures in achieving the Company's strategic goals; and to enhance our operational efficiency; and to minimise the uncertainty in achieving our strategic goals.

The Company formulates specific working targets of risk management in stages according to the actual operating environment and conditions. Such targets are determined and implemented by our risk management committee (the "Risk Management Committee") which reports directly to the Managing Director.

The establishment of our risk management system

In 2008, based on the COSO framework, we established a risk management system for the Company, and formulated the "Basic Standards of Risk Management of China Agri-Industries Holdings Limited" (the "RM Standards"). The RM Standards standardised the following aspects of the risk management system: the risk management objectives; the organisational structure and corresponding responsibilities; the selection of key risk owners; the risk assessment process; the monitoring method; the reporting and early warning process; and the performance review process.

In 2009, the Company continued to engage Protiviti Shanghai Co. Ltd. ("Protiviti") as our risk management consultant. With the assistance of Protiviti, our audit department further developed and improved our risk management system. Major work completed in 2009 was as follows:

I. Fine tuning of key risk and control matching and performance of residual risks assessment

In 2009, based on the results of the risk identification and assessment completed in 2008, our audit department, together with Protiviti (the "Project Team"), continue to fine tune the matching of key risks and the relevant control activities and performed residual risk assessment. To maintain cost effectiveness, efforts were focused primarily on the 9 key risks which the Company is exposed to.

- The Project Team designed a Risk Control Matrix ("RCM") for each of the 9 key risks, and lined up processes and policies corresponding to these risks. Relevant control points were verified by the Project Team members, including control activities operated at the profit centre level as well as those operated at the business unit or the head office level.

- The Project Team collected a total of 219 sets of documents relevant to the underlying systems and processes from the pilot units. It conducted in-depth evaluation and review on the relevant control points of the 9 key risks. With a particular focus on the relevancy, completeness and effectiveness of the control points, deficiencies in the design of our risk control mechanism for 9 key risks were summarised and corrective actions were proposed. The Project Team has issued 9 key risk and control matching reports, which proposed 50 practicable improvements recommendations that were agreed by all key risk owners.

- Based on 6 aspects, namely, business strategy, operating process, organisational structure and human resources, management report, methodology, system and data, the Project Team evaluated the design of the management and control system of our 9 key risks and performed residual risk assessment based on the results of the evaluation and Protiviti's Risk Maturity Model. It is concluded that all 9 key risks were managed at a level acceptable to the management.

Matching key risks with the designs of internal control is crucial to the operational effectiveness of the Company's risk management system and ongoing improvement of internal control system. Through resources deployment, our audit department placed emphasis on identifying deficiencies in the Company's management system and business processes and facilitating ongoing advancement and improvement by relevant managing departments.

II. Development of key risk indicator (KRI) system and KRIs manual

- In 2009, the Project Team developed a KRI system for the 34 risk areas identified from our risk inventory by acquiring a thorough understanding of our business and changes in internal and external environment. In the course of developing such KRI system, the Project Team has also incorporated results of various studies on successful practices in KRI system of companies in a wide range of industries, made use of Protiviti's Enterprise Risk Management Best Practices database as well as discussions with all risk owners.

- A simulation based on actual data has been conducted for certain pre-warning zones of KRIs to determine frequency of reporting and data providing departments, assuring coherence with the operation practice of China Agri and allowing a standardised, accurate and effective data collection and reporting procedure of KRIs.

- By formulating the KRIs Manual of China Agri-Industries Holdings Limited, standardised 186 quantitative indicators and 17 qualitative questionnaire for the 34 risks that the Company is exposed to.

The KRI system is a critical part of the Company's Enterprise Risk Management system and is regarded as a quantitative tool for risk management, enabling realisation of risk management to operation level. Risk owners may monitor and forewarned on the day-to-day changes in key risks by the KRI system. With the assistance of the daily reporting system and the 6S Management Reporting System of relevant departments and units, monitoring and early-warning of risks can be applied to the management of our daily operations.

III. Training on Risk Management

In 2009, the audit department organised various trainings on knowledge and skills of risk management. They included:

- Provision of training to Managing Director, risk owners and heads of functional departments and business units on the Basic Standards of Risk Management of China Agri- Industries Holdings Limited, particularly the specific duties of risk management to be performed by relevant departments as well as coordination and collaboration in operating the risk management system;

- Provision of professional training to audit personnel on the preparation of Risk Based Audit Plan;

- Provision of training to profit centres on risk management, particularly the methods of evaluating the Company's risk exposure and the corresponding actions and measures of internal control.

Training on risk management has enhanced risk management awareness of all levels of our management and sharpened up the skills of those responsible for risk management. Not only does the essence of training cultivate a sound practice on risk management, but also consolidates the foundation of implementing risk management throughout the Company.

Our development approaches and direction for 2010

In 2010, our audit department will monitor the operation of our risk management system and, accordingly, conduct follow-up audit on the enhancement and remedial of the system design of key risk management. In addition, advanced training courses on knowledge and skills of risk management will be organised subject to actual requirement by all units and profit centres, in order to further consolidate our risk management practice as well as enhance our risk management level.

1. For the purpose of addressing system design deficiencies of the 9 key risks identified in the risk and control matching report, our audit department will supervise all risk owners to formulate improvement solutions according to our management's requirements with reference to the improvement recommendations set out in the risk and control matching report. Subsequently, they will keep track of the extent those improvement solutions implemented and evaluate the effectiveness and efficiency of the improvement measures by carrying out follow-up audits. Thus, to ensure the risk management system is operated effectively on an on-going basis.

2. Assisting all units and profit centres to provide training on knowledge and skills of risk management, focusing on the proven risk management system with specific operation practice and specific management practice combined, highlighting the functions of audit personnel in risk management and internal control as well as sharpening up the risk management skills of staff at all levels, in order to reinforce risk management in an effective way performed by our business units and profit centres.

Directors and Senior Management Profile

Chairman and Non-executive Director

NING Gaoning

Mr. NING Gaoning, aged 51, was appointed as a non-executive Director and the chairman of the Company in January 2007. Since December 2004, Mr. Ning has been the chairman of COFCO Corporation and its subsidiaries (other than the Company and China Foods Limited ("China Foods")) (collectively referred to as "COFCO Group") and since January 2005, the chairman of the board of directors of COFCO (Hong Kong) Limited ("COFCO (HK)") and China Foods, a publicly listed company in Hong Kong. He has been a director of CPMC Holdings Limited, a publicly listed company in Hong Kong since 23 October 2009. Mr. Ning is also a director of Wide Smart Holdings Limited ("Wide Smart") and a chairman of COFCO (HK). Both Wide Smart and COFCO HK are substantial Shareholders of the Company.

Mr. Ning holds a Bachelor's degree in Economics from Shandong University in China and a Master of Business Administration degree from the University of Pittsburgh in the United States.

Before joining COFCO, Mr. Ning held various positions such as vice-chairman, director and general manager of the China Resources (Holdings) Company Limited and its subsidiaries. He also acted as general manager of the China Resources National Corporation from June 1999 to December 2004. Mr. Ning previously held directorships in various Hong Kong-listed companies, including China Resources Enterprise Limited, China Resources Logic Limited, China Resources Land Limited, China Resources Power Holdings Company Limited and Lippo China Resources Limited , as well as in a number of private and state-owned companies that include China Resources (Holdings) Company Limited, Tate's Cairn Tunnel Investment Holdings Company Limited, Tate's Cairn Tunnel Company Limited, Hutchison Ports Yantian Investments Limited, China Resources National Corporation and China Resources Co., Limited. Currently, Mr. Ning is a director of Smithfield Foods, Inc. (a U.S. listed company), and BOC International Holdings Limited, he is also an independent director of Huayuan Property Co., Limited (a company listed on the Shanghai Stock Exchange). He has been elected as non-executive directors of China Mengniu Dairy Company Limited and has become vice-chairman of its board of directors since 27 August 2009.

Executive Directors

YU Xubo

Mr. YU Xubo, aged 44, was appointed as an executive Director and the managing director of the Company in January 2007. Mr. Yu joined COFCO Group in 1988, and he has been the president of COFCO Corporation since April 2007. He has held various other positions in the COFCO Group including general manager of COFCO Futures Co., Ltd. (中糧期貨經紀有限公司) and vice president of COFCO Corporation. He was also executive director of COFCO International Co., Limited (currently China Foods) from January 2006 to March 2007. Mr. Yu is the chairman of COFCO Meat Investment Co. Ltd. and COFCO Coca-Cola Beverages Ltd. and a non-executive director of China Mengniu Dairy Company Limited. He is also a director of Wide Smart, COFCO (BVI) No. 108 Limited and COFCO (HK), all of which are substantial Shareholders of the Company.

Mr. Yu holds a Bachelor's degree in Economics from the University of International Business and Economics in Beijing and an Executive Master of Business Administration degree from China Europe International Business School in Shanghai.

LU Jun

Mr. LU Jun, aged 42, was appointed as executive Director and vice-president of the Company in January 2007. Mr. Lu is also the general manager of the oilseeds processing division of the Company. Mr. Lu joined COFCO Group in 1993. He has been the assistant president of COFCO Corporation since March 2003. He has been acting as general manager of COFCO Futures Co., Ltd. (中糧期貨經紀有限公司), taking charge of the Group's oilseeds-related futures business. Mr. Lu is currently the chairman of COFCO ADM Oils & Grains Industries (Heze) Co., Ltd. (中糧艾地盟糧油工業(菏澤)有限公司) and a director of COFCO East Ocean Oils & Grains Industries (Zhangjiagang) Co., Ltd. (中糧東海糧油工業(張家港)有限公司), COFCO Yellowsea Oils & Grains Industries (Shandong) Co., Ltd. (中糧黃海糧油工業(山東)有限公司), COFCO Eastbay Oils and Grains Industries (Guang Zhou) Co., Ltd. (中糧東洲糧油工業(廣州)有限公司), all of which are non-wholly owned subsidiaries of the Company and COFCO Xiangrui Oils and Grains Industries (Jinmen) Co., Ltd. (中糧祥瑞糧油工業(荊門)有限公司), which is a wholly-owned subsidiary of the Company.

Mr. Lu holds a Bachelor's degree and a Master's degree in Engineering from China Agricultural University in Beijing.

YUE Guojun

Mr. YUE Guojun, aged 46, was appointed as executive Director and the vice-president of the Company in January 2007. Mr. Yue is also the general manager of the Company's biofuel and biochemical division. Mr. Yue joined COFCO Group in November 2005. He has been the assistant president of COFCO Corporation since February 2007. He has also acted as a director and the chairman of the board of Anhui BBCA Biochemical Co., Ltd. (a company listed on the Shenzhen Stock Exchange) since November 2007. He was elected as one of the deputies of the 11th National People's Congress of the People's Republic of China in February 2008.

Mr. Yue holds a Bachelor's degree from Chemical Engineering Department of Jilin Institute of Chemical Technology and a Master's degree from Environmental Engineering from Harbin Institute of Technology in Harbin. He has over 20 years of experience in the production and sales of bio-chemical products.

Non-executive Directors

CHI Jingtao

Mr. CHI Jingtao, aged 47, was appointed as a non-executive Director of the Company in January 2007. Mr. Chi joined COFCO Group in August 2003. He has been COFCO Corporation's head of human resources since October 2004. From June 1993 until March 2003, Mr. Chi held various positions in China Minmetals Corporation (中國五礦集團公司) (formerly known as China National Metals & Minerals Import & Export Corporation (中國五金礦產進出口總公司), including his position as general manager of human resources.

Mr. Chi holds a Bachelor's degree in Engineering from the Academy of Armored Forces Engineering in Beijing and an Executive Master of Business Administration degree from the University of International Business and Economics in Beijing.

MA Wangjun

Mr. MA Wangjun, aged 45, was appointed as a non-executive Director of the Company in January 2007. Mr. Ma joined COFCO Group in August 1988. He has been the head of the finance department of COFCO Corporation since December 2005. He previously held other positions in COFCO Group, including those of deputy head of the finance department, general manager of asset management and deputy general manager of finance and planning. He was a director of Xinjiang Tunhe Investment Co., Ltd. (a company listed on the Shanghai Stock Exchange) from July 2005 to January 2007. He is also a director of COFCO East Ocean Oils & Grains Industries (Zhangjiagang) Co., Ltd. (中糧東海糧油工業(張家港)有限公司) and Shandong COFCO Lude Foods Co., Ltd. (山東中糧魯德食品有限公司), both are non-wholly owned subsidiaries of the Company. Mr. Ma has been appointed as a non-executive director of China Mengniu Dairy Company Limited since 1 March 2010.

Mr. Ma holds a Bachelor's degree in Economics from the Beijing Technology and Business University, and a degree in Executive Master of Business Administration from the Cheung Kong Graduate School of Business.

Independent Non-executive Directors

LAM Wai Hon

Mr. LAM Wai Hon, Ambrose, aged 56, was appointed as an independent non-executive Director of the Company in January 2007. Mr. Lam is a fellow member of the Institute of Chartered Accountants in England and Wales and a member of Hong Kong Institute of Certified Public Accountants. He holds a Bachelor of Arts (Honours) degree from University of Newcastle Upon Tyne in England. Mr. Lam is a Director and a founder of Access Capital Limited. He has over two decades of experience in corporate finance and advisory transactions in investment banking institutions.

Prior to establishing Access Capital Limited in 2000, Mr. Lam was the managing director and head of Global Investment Banking for Greater China of Deutsche Bank AG (Hong Kong). He was also the managing director and head of Greater China Investment Banking of the Bankers Trust Company, and the managing director of Yuanta Securities (Hong Kong) Company Limited. Mr. Lam started his investment banking career with Kleinwort Benson Group (in London and Hong Kong) before joining Standard Chartered Asia Limited in Hong Kong where he held the position of managing director in corporate finance. Mr. Lam is also a director of Hong Kong Professional Consultants Association Limited and an independent non-executive director of Shenzhen Expressway Company Limited (a listed company).

Victor YANG

Mr. Victor YANG, aged 64, was appointed as an independent non-executive Director of the Company in January 2007. Mr. Yang holds a Bachelor of Commerce degree and a Juris Doctorate degree from the University of British Columbia, Canada. He is a founding partner of Boughton Peterson Yang Anderson, a Canadian based law firm, and is presently the managing partner of Boughton Peterson Yang Anderson in Hong Kong. He is a solicitor of the Supreme Court of Hong Kong, a barrister and solicitor in British Columbia, Canada and a solicitor in England and Wales.

Mr. Yang is presently a governor of the Canadian Chamber of Commerce in Hong Kong and an immediate past member of the Major Sports Committee of the Home Affairs Bureau, Hong Kong. He is an independent non-executive director of Playmates Toys Limited and Singamas Container Holdings Limited, all of which are companies, shares of which are listed on the Stock Exchange of Hong Kong. He is also a non-executive director of Lei Shing Hong Limited, shares of which were listed on the Stock Exchange up to 17 March 2008 before their withdrawal on that date. Mr. Yang was also a director of Media Chinese International Limited until his resignation on October 1, 2009, shares of which were listed on the Stock Exchange of Hong Kong and Eupa International Corporation, shares of which were listed on the NASDAQ (Over-the-Counter Bulletin Board).

Patrick Vincent VIZZONE

Mr. Patrick Vincent VIZZONE, aged 38, was appointed as an independent non-executive Director of the Company in June 2007. Mr. Vizzone holds a Bachelor's degree in History and Political Science from Monash University, Australia and a Master of Business Administration degree in finance from Manchester Business School, the United Kingdom.

Presently, Mr. Vizzone is a Vice President & Commercial Leader at GE Capital Asia. Prior to joining GE Capital, Mr. Vizzone was Regional Head of Food & Agribusiness of Rabobank International Asia and Assistant General Manager of Rabobank International Hong Kong Branch. Mr. Vizzone has 14 years experience working in China's agribusiness arena. Commencing with Shanghai Asia-Pac International Vegetable Co., where he was a Founding Director and Deputy General Manager and as a cofounder of China Green Concepts.

Senior Management

YANG Hong

Ms. YANG Hong, aged 46, is the vice president of the Company and the general manager of the rice division of the Company. Ms. Yang joined COFCO Group in August 1989 and was appointed as the general manager of the rice division of COFCO Group in August 2000, prior to which she held various positions in COFCO Group, including department manager and deputy division chief. Ms. Yang was appointed as the vice-chairman of COFCO Jiangxi Rice Processing Limited (中糧江西米業有限公司), a non-wholly owned subsidiary of the Company, in August 2001 and was promoted as the chairman of the same company in November 2006. Ms. Yang holds a Bachelor's degree in economics from the University of International Business and Economics in Beijing and a degree in Executive Master of Business Administration from China Europe International Business School.

JIANG Guojin

Mr. JIANG Guojin, aged 42, is the vice president of the Company and the general manager of the brewing materials division of the Company. Mr. Jiang joined COFCO Group in August 1989, and was appointed as the general manager of the brewing materials division of COFCO Group in July 2000, prior to which he was the general manager of COFCO Malt (Dalian) Co., Ltd. (中糧麥芽(大連)有限公司). Mr. Jiang was also the chairman of COFCO Malt (Dalian) Co. Ltd.(中糧麥芽(大連)有限公司), COFCO Malt (Jiangyin) Co., Ltd. (中糧麥芽(江陰)有限公司) and COFCO Malt (Hulunbeier) Co., Ltd. (中糧麥芽(呼倫貝爾)有限公司). Mr. Jiang holds a Bachelor's degree in Engineering from the Beijing College of Light Industry and a degree in Executive Master of Business Administration from China Europe International Business School.

LI Wai Kwan

Mr. LI Wai Kwan, Andy, aged 38, is vice president of the Company. Mr. Li joined the Company in October 2006. He has held positions in government and statutory bodies, as well as multinational conglomerates and Fortune 500 companies. Mr. Li graduated with distinction in commerce from the University of Toronto and holds a Master of Business Administration degree from the Schulich School of Business, York University. He is a chartered/certified member of each of the CFA Institute, ICAEW, HKICPA, ICMA, CGA-Canada and ACCA. Mr. Li is currently the chair of investor relations committee and a general committee member of the Chamber of Hong Kong Listed Companies, as well as the honorary agricultural advisor to the Monte Jade Science and Technology Association. Mr. Li is a qualified member of the HKIOD, HKMC, HKMA, HKGCC and YAA. In the area of public and academic services, Mr. Li is a guest speaker at a number of universities in Hong Kong.

Senior Management

WANG Zhen

Mr. WANG Zhen, aged 49, is vice president of the Company and the general manager of the wheat processing division of the Company. Mr. Wang joined COFCO Group in December 1986 and was the deputy general manager of the fruits, vegetables and aquatic products division of COFCO Group. He is also the chairman of Shenyang Dongda Grains Oils & Foodstuffs Industries Co., Ltd. (瀋陽東大糧油食品實業有限公司), Shenyang Xiangxue Flour Limited Liability Company (瀋陽香雪麵粉股份有限公司), Puyang COFCO Flour Industry Co. Ltd. (濮陽中糧麵業有限公司) and Shandong COFCO Lude Foods Co., Ltd. (山東中糧魯德食品有限公司), all of which are non-wholly owned subsidiaries of the Company. Mr. Wang holds an associate degree in Japanese literature from the Luoyang University of Foreign Languages.

LEUNG Wai Fung

Mr. LEUNG Wai Fung, Joseph, aged 39, is the head of audit department of the Company. Mr. Leung has extensive corporate governance and auditing experience. Before joining the Company in 2007, Mr. Leung headed the internal audit department of USI Holdings Limited, a company listed on the Stock Exchange. Mr. Leung started his professional career with Pricewaterhouse Coopers and specialised in financial and Sarbane-Oxley compliance audit of China state-owned enterprises and multinational companies. Mr. Leung holds a Bachelor's degree of Commerce from the Concordia University, majoring in Accountancy. He is a member of each of the Hong Kong Institute of Certified Public Accountants, American Institute of Certified Public Accountants, Washington State Board of Accountants and Association of Certified Fraud Examiners.

NIU Yanxia

Ms. NIU Yanxia, aged 44, is the general manager of the general administration department of the Company. Ms. Niu joined the COFCO Group in 1999 and served as assistant to general manager of the general administration office of COFCO Top Glory International (Beijing) Ltd. (中糧鵬利國際(北京)有限公司), assistant to general manager of the state-owned assets administration division under the finance department of the COFCO Group, deputy director of the general administration office of COFCO Grain & Oil Imp. & Exp. Co. (中糧糧油進出口公司), deputy general manager of the secretarial department and the public relations department under the COFCO Group's office. Ms. Niu holds a Bachelor's degree in economics from Jilin Institute of Finance and Trade.

LIU Yong

Ms. LIU Yong, aged 37, is the general manager of legal department of the Company. Ms. Liu joined the COFCO Group in 1995. She was then the deputy general manager of the contract and company law division under the legal affairs department of the COFCO Group. Ms. Liu holds a LLB degree from the University of International Business and Economics in Beijing and a LLM degree from Northwestern University, School of Law, of the United States. She possesses bar qualifications in China and the New York State of the United States.

Senior Management

SHI Bo

Mr. SHI Bo, aged 43, is the general manager of the finance division of the Company. Mr. Shi joined the COFCO Group in 2005 and was the deputy general manager of the biofuel and biochemical division of COFCO. Prior to this, Mr. Shi was the financial controller of CR Alcohol. He has also held various positions in Shougang Group, including assistant general manager of group finance, and director and general manager of finance and planning of Shougang Hierro Peru SA. Mr. Shi is a member of The Chinese Institute of Certified Public Accountants. He holds a Bachelor's degree in Accounting from the Anhui University of Finance & Economics and a degree in Executive Master of Business Administration from China Europe International Business School.

GAO Xiang

Mr. GAO Xiang, aged 38, is the general manager of the human resources department of the Company. Mr. Gao joined the COFCO Group in 1993. He had held various positions with China National Native Produce & Animal By-products Import & Export Corporation (中國土畜產進出口總公司) and the COFCO Group, including department manager and training division deputy head. Mr. Gao holds a Bachelor's degree in economics and a Doctoral degree in corporate management from the Renmin University of China.

HU Changping

Mr. HU Changping, aged 39, is the general manager of the audit department of the Company. Mr. Hu joined COFCO Group in 1992. He was the deputy general manager of Beijing Coca-Cola Beverage Company Limited (北京可口可樂飲料有限公司) and previously held other positions in COFCO Group, including manager of the finance department of COFCO Trade Development Company (中糧貿易發展有限公司), deputy general manager of finance and planning of COFCO Group, deputy financial controller of COFCO International and chief financial officer of COFCO Coca-Cola Beverages Limited (中糧可口可樂飲料有限公司). Mr. Hu holds a Bachelor's degree in economics from Zhongnan University of Finance and Economics.

Senior Management

WANG Pingye

Mr. WANG Pingye, aged 45, is a deputy general manager of the strategic development department of the Company. Mr. Wang joined the COFCO Group in 2006 and was the general manager of the strategic development department of bio-chemical energy division of the Company. Prior to joining the COFCO Group, he was the deputy general manager of the law division of China Resources National Corporation, and the lawyer and partner of Beijing Tianyuan Law Firm during which he has participated in a series of large acquisition projects and public listed company projects. Mr. Wang holds a LLB degree and a LLM degree from the University of International Business and Economics in Beijing.

XU Xiaochun

Mr. XU Xiaochun, aged 48, is the general manager of operation management department in Hong Kong of the Company. Mr. Xu joined COFCO Group in July 1985 and held various positions, including the deputy general manager of Grains, Oils and Feed Division of COFCO Group, the general manager of export division of China National Liangfeng Grains Imp. & Exp. Co. (中國良豐穀物進出口公司), the executive vice president of BNU Corporation in the U.S.A. and the deputy general manager of oilseeds processing division of COFCO Group. Mr. Xu holds a Bachelor's degree in Economics from The University of International Business & Economics and is a Senior Economist in International Business.

MENG Fanjie

Mr. MENG Fanjie, aged 45, is the general manager of project management department of the Company. Mr. Meng joined COFCO Group in October 1993 and held various positions, including the general manager of Shenyang Dongda Grains, Oils & Foodstuffs Industries Co., Ltd. (瀋陽東大糧油食品實業有限公司) of COFCO Group, the general manager of Shenyang Xiangxue Flour Limited Liability Company (瀋陽香雪麵粉股份有限公司) and the deputy general manager of wheat processing division. Mr. Meng holds a Bachelor's degree from the Beijing University of Aeronautics and Astronautics and a Master's degree from Tsinghua University and is a senior engineer. He was offered a special government grant by the State Council in 2008. He is also an emeritus professor of the Industrial Faculty of Shenyang Agricultural University.

Report Of The Directors

The directors ("Directors") of China Agri-Industries Holdings Limited ("Company") are pleased to present this annual report and the audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2009.

Corporate information

The Company was incorporated with limited liability in Hong Kong on 18 November 2006. Pursuant to a shareholders' special resolution passed on 29 December 2006, the name of the Company was changed from Sino Vision Hong Kong Limited to China Agri-Industries Holdings Limited and became effective on 9 January 2007.

The shares of the Company ("Shares") commenced listing on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 21 March 2007.

Principal activities

The principal activity of the Company is investment holding. The principal activities of the subsidiaries and associates of the Company comprise production, processing and distribution of agricultural products and related businesses. The Group's principal products and businesses are oilseeds processing, rice trading and processing, biofuel and biochemical, brewing materials and wheat processing. There were no significant changes in the nature of the Group's principal activities during the year.

Results and dividends

The results of the Group for the year ended 31 December 2009 and the state of affairs of the Company and the Group as at that date are set out in the financial statements on pages 110 to 196.

The Board recommended the payment of final dividend of HK5.9 cents per ordinary Share (2008: HK13.6 cents) for the financial year ended 31 December 2009 to the shareholders of the Company whose names appear on the register of members on Tuesday, 25 May 2010.

The recommended final dividend is subject to the approval of the Company's shareholders at the forthcoming annual general meeting for payment on or around Friday, 25 June 2010.

Financial information summary

A summary of the results and assets, liabilities and minority interests of the Group for the last five financial years, is set out on page 3 of this annual report. This summary does not form part of the audited financial statements.

Property, plant and equipment

Details of movements in property, plant and equipment of the Company and the Group during the year are set out in note 14 to the financial statements.

Share capital

Details of movements in the Company's share capital during the year, together with the reasons therefore, are set out in note 28 to the financial statements.

Share option scheme

The Company conditionally adopted a share option scheme on 12 January 2007 which became effective and unconditional upon listing of the Shares on 21 March 2007 (the "Scheme"). The principal terms of the Scheme are as follows:

1. *Purpose of the Scheme*

To attract, retain and motivate senior management personnel and key employees of the Company, and provide the eligible participants with an opportunity to acquire proprietary interests in the Company and to encourage the eligible participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole.

2. *Participants in the Scheme*

Participants in the Scheme mean: (i) any executive or non-executive directors of any members of the Group; (ii) any senior executives, key technical staff, professional staff, managers, or employees of any members of the Group; or (iii) any other individuals as may be proposed by the board. For the avoidance of any doubt, participants do not include independent non-executive Directors.

3. *Total number of shares available for issue under the Scheme*

The maximum number of shares which may be issued upon exercise of all share options to be granted under the Scheme and under any other share option schemes of our Company (if any) is in the aggregate equal to 10% of the total number of shares in issue on the date on which dealings in the Shares commence on the Stock Exchange (the ''Scheme Mandate Limit''), subject to the renewal of the same by prior shareholders' approval, provided always that the Scheme Mandate Limit shall not exceed 10% of the number of Shares in issue as at the date of the relevant approval. As at the date of this annual report, if all options which had been granted under the Scheme have been exercised a total of 25,843,700 Shares (representing approximately 0.67% of the existing issued share capital of the Company) may be issued by the Company.

4. *Maximum entitlement of each participant under the Scheme*

The total number of Shares issued and to be issued upon exercise of the options granted to any grantee (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the Shares in issue (the "Individual Limit") at the relevant time. Any further grant of options in excess of the Individual Limit shall be subject to shareholders' approval, with such grantee and his associates abstaining from voting.

5. *The period within which the shares must be taken up under an option*

The Directors may in their absolute discretion determine the period during which an option may be exercised and notify the grantee, save that in any event such period of time shall not exceed a period of 7 years, commencing on the date of acceptance of the option and expiring on the last date of such 7 year period, subject to the provisions for early termination thereof contained in the Scheme.

6. *Minimum period for which an option must be held before it can be exercised*

An option must be held for a minimum period of two years, from the date on which it was granted of before it can be exercised. In addition, an option shall be subject to the following vesting schedule ("Vesting Periods"):

Periods	Percentage of an option which may be exercised
Upon and after the second anniversary of the grant but no later than the third anniversary of the grant	33%
Upon and after the third anniversary of the grant but no later than the fourth anniversary of the grant	67%
Upon and after the fourth anniversary of the grant	100%

7. *Time of acceptance and the amount payable on acceptance of the option*

The offer of an option made pursuant to the Scheme may be accepted within 28 days from the date of the offer, and the amount payable on acceptance of the option is HK$1.00.

8. *The basis for determining the exercise price*

The exercise price shall be determined by the Board and shall be the higher of;

(a) the closing price of the Shares as stated in the daily quotation sheets issued by the Stock Exchange on the date of the offer;

(b) the average closing prices of the Shares as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the date of the offer; or

(c) the nominal value of a Share.

9. *The remaining life of the Scheme*

The Scheme is valid until 20 March 2017.

10. *Movement of Share options*

Details of the movements in the share options during the year ended 31 December 2009 are as follows:

					Number of Share Option				
Category of participants	Date of Grant (dd/mm/yyyy)	Exercise Price (HK$)	Vesting Date (dd/mm/yyyy)	Exercise period (dd/mm/yyyy)	As at 01/01/2009	Granted	Exercised	Lapsed	As at 31/12/2009
(A) Directors									
NING Gaoning	07/08/2007	4.666	07/08/2009	07/08/2009 – 06/08/2014	231,000	–	–	–	231,000
			07/08/2010	07/08/2010 – 06/08/2014	238,000	–	–	–	238,000
			07/08/2011	07/08/2011 – 06/08/2014	231,000	–	–	–	231,000
In aggregate					700,000	–	–	–	700,000
YU Xubo	07/08/2007	4.666	07/08/2009	07/08/2009 – 06/08/2014	231,000	–	–	–	231,000
			07/08/2010	07/08/2010 – 06/08/2014	238,000	–	–	–	238,000
			07/08/2011	07/08/2011 – 06/08/2014	231,000	–	–	–	231,000
In aggregate					700,000	–	–	–	700,000
LU Jun	07/08/2007	4.666	07/08/2009	07/08/2009 – 06/08/2014	214,500	–	130,000	–	84,500
			07/08/2010	07/08/2010 – 06/08/2014	221,000	–	–	–	221,000
			07/08/2011	07/08/2011 – 06/08/2014	214,500	–	–	–	214,500
In aggregate					650,000	–	130,000	–	520,000
YUE Guojun	07/08/2007	4.666	07/08/2009	07/08/2009 – 06/08/2014	214,500	–	–	–	214,500
			07/08/2010	07/08/2010 – 06/08/2014	221,000	–	–	–	221,000
			07/08/2011	07/08/2011 – 06/08/2014	214,500	–	–	–	214,500
In aggregate					650,000	–	–	–	650,000
CHI Jingtao	07/08/2007	4.666	07/08/2009	07/08/2009 – 06/08/2014	198,000	–	–	–	198,000
			07/08/2010	07/08/2010 – 06/08/2014	204,000	–	–	–	204,000
			07/08/2011	07/08/2011 – 06/08/2014	198,000	–	–	–	198,000
In aggregate					600,000	–	–	–	600,000
MA Wangjun	07/08/2007	4.666	07/08/2009	07/08/2009 – 06/08/2014	198,000	–	–	–	198,000
			07/08/2010	07/08/2010 – 06/08/2014	204,000	–	–	–	204,000
			07/08/2011	07/08/2011 – 06/08/2014	198,000	–	–	–	198,000
In aggregate					600,000	–	–	–	600,000

Category of participants	Date of Grant (dd/mm/yyyy)	Exercise Price (HK$)	Vesting Date (dd/mm/yyyy)	Exercise period (dd/mm/yyyy)	As at 01/01/2009	Number of Share Option: Granted	Exercised	Lapsed	As at 31/12/2009
(B) Employees of the Group	07/08/2007	4.666	07/08/2009	07/08/2009 – 06/08/2014	7,745,100	–	922,000	92,400	6,730,700
			07/08/2010	07/08/2010 – 06/08/2014	7,979,800	–	–	191,600	7,788,200
			07/08/2011	07/08/2011 – 06/08/2014	7,745,100	–	–	190,300	7,554,800
	In aggregate				23,470,000	–	922,000	474,300	22,073,700
	Total				27,370,000	–	1,052,000	474,300	25,843,700

Notes:

1. *The exercise period for the share options granted to each employee of the Group and Director lasts for 5 years, commencing from the second anniversary of the date of acceptance of the offer by the respective employees and Directors and subject to the Vesting Periods.*

2. *The closing price of the Shares immediately before the date (that is, 6 August 2007) on which the share options disclosed above were granted was HK$4.50. During the year, 1,052,000 share options were exercised and 474,300 share options were lapsed. Save as disclosed above, no share options were granted, exercised, lapsed or cancelled during the year.*

3. *Additional information in relation to the Scheme is set out in note 29 to the financial statements.*

Reserves

Details of movements in the reserves of the Company and the Group during the year are set out in note 30 to the financial statements and in the consolidated statement of changes in equity on page 114 of this annual report.

Distributable reserves

As at 31 December 2009, the Company's reserves available for distribution, calculated in accordance with the provisions of section 79B of the Companies Ordinance, laws of Hong Kong, amounted to approximately HK$914.9 million. In addition, the Company's share premium account in the amount of approximately HK$3,757.2 million may be distributable in the form of fully paid bonus shares.

Major customers and suppliers

The five largest customers of the Group accounted for approximately 20.8% of the total sales for the year. The five largest suppliers of the Group accounted for approximately 30.4% of the Group's total purchases for the year, with the largest supplier accounting for approximately 8.3%.

Apart from the continuing connected transactions with its controlling shareholder, COFCO Corporation ("COFCO") and its subsidiaries (other than the Company), and with Archer Daniels Midland Company (a connected person of the Company), as disclosed in the section "Continuing Connected Transactions" below, none of the Directors or any of their associates or any shareholder (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any interest in the five largest customers or suppliers of the Group.

Directors

The Directors during the year and up to the date of this report were:

Chairman and Non-executive Director

NING Gaoning

Executive Directors:

YU Xubo
LU Jun
YUE Guojun

Non-executive Directors:

CHI Jingtao
MA Wangjun

Independent Non-executive Directors:

LAM Wai Hon, Ambrose
Victor YANG
Patrick Vincent VIZZONE

In accordance with Article 106 of the articles of association of the Company ("Articles of Association"), Mr. YU Xubo, Mr. CHI Jingtao and Mr. LAM Wai Hon, Ambrose will retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

The non-executive Directors are appointed with a specific term of three years and are subject to retirement by rotation as required by the Articles of Association.

Directors' and senior management's biographies

Biographical details of the Directors and the senior management of the Group are set out on pages 76 to 83 of this annual report.

Directors' service contracts

No Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not terminable by the Company within one year without payment of compensation, other than statutory compensation.

Directors are subject to retirement by rotation at least every three years as required by the Articles of Association.

Directors' interests in contracts

No Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, or any of its holding companies, subsidiaries or fellow subsidiaries was a party during the year.

Directors' remuneration

The Directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Remuneration Committee pursuant to the Articles of Association with reference to market conditions, directors' duties, responsibilities and performance and the results of the Group.

Management contracts

No contracts for management or administration of the whole or any substantial part of any business of the Company were entered into or existing during the year.

Convertible securities, options, warrants or similar rights

Save as disclosed in the paragraph headed "Share option scheme" above, the Company had no other outstanding options, convertible securities, warrants or other similar rights as at 31 December 2009.

Directors' interests and short positions in shares, underlying shares and debentures

As at 31 December 2009, the interests and short positions of the Directors in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or were deemed to have under such provisions of the SFO), or which are required, pursuant to section 352 of the SFO, to be entered in the register to be kept by the Company, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") (together, "Discloseable Interests") were as follows:

Interest in underlying shares of the Company

Name of Director	Capacity	Number of share options held in long position	Number of underlying shares held	Approximate percentage of the issued share capital of the Company as at 31 December 2009
NING Gaoning	Beneficial owner	700,000	700,000	0.02%
YU Xubo	Beneficial owner	700,000	700,000	0.02%
LU Jun	Beneficial owner	520,000	520,000	0.01%
YUE Guojun	Beneficial owner	650,000	650,000	0.02%
CHI Jingtao	Beneficial owner	600,000	600,000	0.02%
MA Wangjun	Beneficial owner	600,000	600,000	0.02%

Note:

1. *The percentages are calculated based on the total number of shares of the Company in issue as at 31 December 2009, i.e., 3,858,584,839 shares.*

Details of the Directors' interests in share options granted by the Company are set out on page 87 under the heading "Movement of Share Options".

Save as disclosed above, none of the Directors, chief executives or their respective associates have any other Discloseable Interests in the Company.

Interest in underlying shares of associated corporation

Name of Director	Name of associated corporation	Capacity	Number of share options held in long position	Number of underlying shares held	Approximate percentage of the issued share capital of the associated corporation as at 31 December 2009
Ning Gaoning	China Foods Limited	Beneficial owner	880,000	880,000	0.03%

Notes:

1. *The options were granted on 27 September 2007, and the exercise price is HK$4.952 per share.*
2. *The exercise period of the options ranges from 27 September 2009 to 26 September 2014.*
3. *The percentage is calculated based on the total number of shares of China Foods Limited in issue as at 31 December 2009, i.e., 2,791,512,076 shares.*

Save as disclosed above, none of the Directors, chief executives or their respective associates had any other Discloseable Interests in the Company's associated corporations.

Substantial shareholders' and other persons' interests in the Shares and the underlying Shares

As at 31 December 2009, to the knowledge of the Directors, the following persons (other than the Directors) had an interest or short position in the Shares and underlying shares of the Company which would be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company under section 336 of the SFO:

Substantial Shareholders	Capacity	Number of Shares held	*Notes*	Approximate percentage of the issued share capital of the Company
Wide Smart Holdings Limited ("Wide Smart")	Beneficial owner	1,922,550,331	*(1)*	49.83%
COFCO (BVI) No. 108 Limited ("COFCO BVI")	Beneficial owner	140,000,000	*(1)*	3.63%
COFCO (Hong Kong) Limited ("COFCO (HK)")	Beneficial owner	273,764,483	*(1)*	7.09%
	Interest of controlled corporations	2,062,550,331	*(1) & (2)*	53.45%
COFCO Corporation (formerly known as COFCO Limited) ("COFCO")	Interest of controlled corporations	2,336,314,814	*(1) & (3)*	60.55%

Notes:

(1) Long positions in the Shares.

(2) COFCO (HK) is deemed to be interested in the 2,062,550,331 Shares in aggregate held by Wide Smart and COFCO BVI, as COFCO (HK) is entitled to control the exercise of or exercise one-third or more of the voting power at general meetings of Wide Smart and COFCO BVI.

(3) COFCO is deemed to be interested in the 2,336,314,814 Shares in aggregate held by Wide Smart, COFCO BVI and COFCO (HK), as COFCO is entitled to control the exercise of or exercise one-third or more of the voting power at general meetings of such companies.

(4) The percentages are calculated based on the total number of shares of the Company in issue as at 31 December 2009, i.e., 3,858,584,839 Shares.

Save as disclosed above, as at 31 December 2009, 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 required to be kept by the Company under section 336 of the SFO.

Sufficiency of public float

Based on the information that is publicly available to the Company and to the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

Continuing connected transactions

During the reporting period, the Company and its subsidiaries entered into various transactions with certain connected persons. These transactions are considered to be continuing connected transactions under the Listing Rules, which need to be disclosed herein in compliance with the requirements under Chapter 14A of the Listing Rules or the waivers previously granted by the Stock Exchange.

Details of these transactions are as follows:

1. New COFCO Mutual Supply Agreement

The Company and COFCO entered into an agreement on 21 November 2008 ("New COFCO Mutual Supply Agreement"), to regulate the relationship between COFCO and its associates (other than the Company and China Foods Limited ("China Foods")) (collectively referred to as "COFCO Group") and the Group in respect of the mutual supply of raw materials, products, finance, logistics, agency and other related services. The New COFCO Mutual Supply Agreement is for a term commencing from 1 January 2009 to 31 December 2011.

During the reporting period, the aggregate value of raw materials, products, finance, logistics, agency and other related services supplied by COFCO Group to the Group, including soybeans, palm oil, oil tanks, wheat, white rice, barley and other relevant products as well as logistics and support services, was approximately RMB442.32 million, while the aggregate value of products supplied by the Group to COFCO Group, including bulk edible oil, soybean feed, soybean meal, alcohol and rice husk powder, malt, feed and other relevant products as well as logistics and support services, was approximately RMB469.94 million.

According to the Listing Rules, COFCO is the controlling shareholder of the Company, thus, each of the members of COFCO Group is a connected person of the Company.

2. *China Foods Supply Agreement*

The Company and China Foods entered into an agreement on 21 November 2008 ("China Foods Supply Agreement"), pursuant to which certain members of the Group will supply raw materials, products, logistics and other services to China Foods and its subsidiaries ("China Foods Group"). The China Foods Supply Agreement is for a term commencing from 1 January 2009 to 31 December 2011.

During the reporting period, the aggregate value of the raw materials, products, logistics and other services supplied by the Group to China Foods Group was approximately RMB2,975.85 million.

According to the Listing Rules, China Foods is a subsidiary of COFCO; thus, China Foods and its associates are connected persons of the Company.

3. *Wilmar Mutual Supply Agreement*

The Company and Wilmar International Limited ("Wilmar International") entered into an agreement on 21 November 2008 ("Wilmar Mutual Supply Agreement"), pursuant to which Wilmar International and its subsidiaries ("Wilmar International Group") and the Group will mutually supply raw materials, products, logistics and other related services. The term of the Wilmar Mutual Supply Agreement is from 1 January 2009 to 31 December 2011.

During the reporting period, the aggregate value of the products supplied by Wilmar International Group to the Group was approximately RMB1,626.83 million. The aggregate value of the products supplied by the Group to Wilmar International Group was approximately RMB2,417.46 million.

According to the Listing Rules, Wilmar International is a substantial shareholder of certain of the Company's subsidiaries; therefore, Wilmar International and its associates are connected persons of the Company.

4. *New Lude Mutual Supply Agreement*

Shandong Dezhou Grains & Oil Group Corporation ("Dezhou Grains") and the Company entered into an agreement on 21 November 2008 ("New Lude Mutual Supply Agreement"), pursuant to which the Group and Dezhou Grains and its associates ("Dezhou Grains Group") will mutually supply raw materials and products. The New Lude Supply Agreement is for a term commencing from 1 January 2009 to 31 December 2011.

During the reporting period, the aggregate value of the products supplied by Dezhou Grains Group to the Group was approximately RMB32.78 million. The aggregate value of the products supplied by the Group to Dezhou Grains Group was Nil.

According to the Listing Rules, Dezhou Grains is a substantial shareholder of a subsidiary of the Company; thus, Dezhou Grains and its associates are connected persons of the Company.

5. *New No. 2 Storage Mutual Supply Agreement*

The Company and Shenyang No. 2 Grains Storage Depot ("No. 2 Storage") entered into an agreement on 21 November 2008 ("New No. 2 Storage Mutual Supply Agreement"), pursuant to which No. 2 Storage and its associates ("No. 2 Storage Group") and the Group will mutually supply raw materials, products, logistics and other related services. The term of the New No. 2 Storage Mutual Supply Agreement is from 1 January 2009 to 31 December 2011.

During the reporting period, the aggregate value of the products supplied by No.2 Storage Group to the Group was approximately RMB1.0 million. The aggregate value of the products supplied by the Group to No. 2 Storage Group was Nil.

According to the Listing Rules, No. 2 Storage is a substantial shareholder of a subsidiary of the Company; thus, No. 2 Storage and its associates are connected persons of the Company.

6. *COFCO ADM Mutual Supply Agreement*

COFCO ADM Oils & Grains Industries (Heze) Co., Ltd. ("COFCO ADM"), and the Company entered into an agreement on 21 November 2008 ("COFCO ADM Mutual Supply Agreement"), pursuant to which the Group and COFCO ADM and its associates ("COFCO ADM Group") will mutually supply raw materials and products. The COFCO ADM Mutual Supply Agreement is for a term commencing from 1 January 2009 to 31 December 2011.

During the reporting period, the aggregate value of the products supplied by COFCO ADM Group to the Group was approximately RMB131.95 million. The aggregate value of the products supplied by the Group to COFCO ADM Group was approximately RMB884.09 million.

According to the Listing Rules, ADM is a substantial shareholder of certain of the Company's subsidiaries, and therefore a connected person of the Company. As ADM holds a 30% equity interest in COFCO ADM through a trust arrangement, COFCO ADM is an associate of ADM, and therefore, is a connected person of the Company.

7. *Lease of properties*

On 27 June 2008, COFCO Eastbay Oils & Fats Industries (Guangzhou) Co., Ltd. ("Eastbay"), and Zhangjiagang CPMC Co., Ltd. ("Zhangjiagang CPMC"), entered into a lease agreement (the "Eastbay Lease Agreement") for a period of two years, in order to lease the properties owned by Eastbay to Zhangjiagang CPMC for production in relation to its steel barrel businesses. The monthly rental is RMB0.36 million, which was determined on normal commercial terms with reference to current market values.

During the reporting period, the aggregate value of the rental is RMB1.67 million.

On 27 June 2008, COFCO East Ocean Oils & Grains Industries (Zhangjiagang) Co., Ltd. ("East Ocean"), and Zhangjiagang CPMC entered into a lease agreement (the "East Ocean Lease Agreement") for a period of two years, in order to lease the properties owned by East Ocean to Zhangjiagang CPMC for production in relation to its steel barrel and rectangular can business. The monthly rental is RMB0.22 million, which was determined on normal commercial terms with reference to current market values.

During the reporting period, the aggregate value of the rental is RMB0.09 million.

According to the Listing Rules, COFCO is the controlling shareholder of the Company. Zhangjiagang CPMC, a wholly owned subsidiary of COFCO, is, therefore, a connected person of the Company.

8. *Supply Agreement*

On 27 June 2008, the Company entered into a framework supply agreement with CPMC (Hong Kong) Limited (the "Supply Agreement"). Under the Supply Agreement, the subsidiaries of CPMC (Hong Kong) Limited shall supply to the Group steel barrels and rectangular cans at the prevailing market price for a term of three years. The Supply Agreement was entered into on normal commercial terms and can be renewed by mutual agreement between both parties. The proposed annual caps for the three years ending 31 December 2010 under the Supply Agreement are set.

During the reporting period, the aggregate value of the steel barrels and rectangular cans supplied by CMPC (Hong Kong) Limited is RMB7.29 million.

According to the Listing Rules, CPMC (Hong Kong) Limited is wholly owned by COFCO and therefore is a connected person of the Company.

9. *ADM Mutual Supply Agreement*

The Company and Archer Daniels Midland Company ("ADM") entered into an agreement on 21 November 2008 ("New ADM Mutual Supply Agreement"), pursuant to which ADM products will be mutually supplied between the Group and ADM and its associates ("ADM Group"). The New ADM Mutual Supply Agreement is for a term commencing from 1 January 2009 to 31 December 2011.

During the reporting period, the aggregate value of the products supplied by ADM Group to the Group was approximately RMB2,201.09 million. The aggregate value of the products supplied by the Group to ADM Group was approximately RMB15.49 million.

According to the Listing Rules, ADM is a substantial shareholder of certain of the Company's subsidiaries; thus, ADM and its associates are connected persons of the Company.

10. *Toyota Tsusho Mutual Supply Agreement*

On 21 November 2008, the Company and Toyota Tsusho Corporation ("Toyota Tsusho") entered into the Toyota Tsusho Mutual Supply Agreement, to regulate the mutual supply relationship between the Group and Toyota Tsusho in respect of the mutual supply of raw materials, products, technology and the related services. The Toyota Tsusho Mutual Supply Agreement is for a term commencing from 1 January 2009 to 31 December 2011.

During the reporting period, the aggregate value of the products supplied by Toyota Tsusho to the Group was approximately RMB2.04 million. The aggregate value of the products supplied by the Group to Toyota Tsusho was approximately RMB55.04 million.

According to the Listing Rules, Toyota Tsusho is a substantial shareholder of a subsidiary of the Company and a connected person of the Company.

11. *Hakubaku Mutual Supply Agreement*

On 21 November 2008, the Company and Hakubaku Co., Ltd ("Hakubaku") entered into the Hakubaku Mutual Supply Agreement, to regulate the mutual supply relationship between the Group and Hakubaku in respect of the mutual supply of raw materials, products and related services. The Hakubaku Mutual Supply Agreement is for a term commencing from 1 January 2009 to 31 December 2011.

During the reporting period, the aggregate value of the products supplied by Hakubaku to the Group was approximately RMB0.45 million. The aggregate value of the products supplied by the Group to Hakubaku was Nil.

According to the Listing Rules, Hakubaku is a substantial shareholder of a subsidiary of the Company and a connected person of the Company.

12. Xiamen Seashine Mutual Supply Agreement

On 21 November 2008, the Company and Xiamen Seashine Group Co., Ltd ("Xiamen Seashine") entered into the Xiamen Seashine Mutual Supply Agreement, to regulate the mutual supply relationship between the Group and Xiamen Seashine in respect of the mutual supply of raw materials, products, technology and the related services. The Xiamen Seashine Mutual Supply Agreement is for a term commencing from 1 January 2009 to 31 December 2011.

During the reporting period, the aggregate value of the products supplied by Xiamen Seashine to the Group was Nil. The aggregate value of the products supplied by the Group to Xiamen Seashine was Nil.

According to the Listing Rules, Xiamen Seashine is a substantial shareholder of a subsidiary of the Company and a connected person of the Company.

13. Zhengzhou Flour Mutual Supply Agreement

On 21 November 2008, the Company and China Zhengzhou No.2 Flour Factory ("Zhengzhou Flour") entered into the Zhengzhou Flour Mutual Supply Agreement, to regulate the mutual supply relationship between the Group and Zhengzhou Flour in respect of the mutual supply of raw materials, products, technology and the related services. The Zhengzhou Flour Mutual Supply Agreement is for a term commencing from 1 January 2009 to 31 December 2011.

During the reporting period, the aggregate value of the products supplied by Zhengzhou Flour to the Group was Nil. The aggregate value of the products supplied by the Group to Zhengzhou Flour was Nil.

According to the Listing Rules, Zhengzhou Flour is a substantial shareholder of a subsidiary of the Company and a connected person of the Company.

14. No.5 Storage Mutual Supply Agreement

On 21 November 2008, the Company and Shenyang No. 5 Grains Storage Depot ("No. 5 Storage") entered into the No. 5 Storage Mutual Supply Agreement, to regulate the mutual supply relationship between the Group and No. 5 Storage in respect of the mutual supply of raw materials, products, technology and related services. The No. 5 Storage Mutual Supply Agreement is for a term commencing from 1 January 2009 to 31 December 2011.

During the reporting period, the aggregate value of the products supplied by No. 5 Storage to the Group was approximately RMB0.8 million. The aggregate value of the products supplied by the Group to No. 5 Storage was Nil.

According to the Listing Rules, No. 5 Storage is a substantial shareholder of a subsidiary of the Company and a connected person of the Company.

15. Jilin Packing Supply Agreement

On 26 September 2008, Jilin COFCO Bio-chemical Co., Ltd. (吉林中糧生化有限公司) ("COFCO Bio-chemical"), a wholly-owned subsidiary of COFCO (HK), and China Resources (Jilin) Bio-Chemical Co., Ltd. (吉林華潤生化股份有限公司) ("Jilin Bio-chemical"), entered into the SPA, whereby COFCO Bio-chemical, directly or indirectly, acquired, among other things, the interest of Jilin China Resources Packaging Co., Ltd. (吉林華潤生化包裝有限公司) ("Jilin Packaging"), from Jilin Bio-chemical. The acquisition of the interest of Jilin Packaging was completed on 17 October 2008.

On 1 January 2008, the Company and Jilin Packaging entered into a packing supply agreement (the "Jilin Packaging Supply Agreement"). Pursuant to the Jilin Packaging Supply Agreement, Jilin Packaging has agreed to supply products and services (the "Packaging Products and Services") to the Company and its associates.

The Packaging Products and Services shall be provided with reference to the prevailing market prices at the relevant time. When such market prices are not available, the parties shall negotiate the prices for the Packaging Products and Services based on their reasonable costs. The Jilin Packaging Supply Agreement is effective from 1 January 2008 and will end on 31 December 2012.

According to the Listing Rules, COFCO (HK) is a controlling shareholder of the Company and is, therefore, a connected person of the Company. As an associate of COFCO (HK), Jilin Packaging became, upon completion of the acquisition of the interest of Jilin Packaging, a connected person of the Company for the purposes of the Listing Rules.

16. East Ocean Supply Agreement

On 13 November 2008, ADM Asia Pacific has transferred its 22% equity interest in COFCO East Ocean Oils & Grains Industries (Zhangjiagang) Co., Ltd. (中糧東海糧油工業(張家港)有限公司) ("East Ocean"), to Kenspot International Pte Limited ("Kenspot International"), and immediately following such equity transfer, Kenspot International holds, in the aggregate, 44% equity interest in East Ocean. Kenspot International is a wholly-owned subsidiary of Wilmar International, a connected person of the Company under the Listing Rules, and Kenspot International is, therefore, also a connected person of the Company under the Listing Rules. Immediately following the equity transfer, East Ocean became an associate of the Kenspot International and a connected person of the Company for the purposes of the Listing Rules.

On 1 January 2008, the Company and East Ocean entered into a supply agreement (the "East Ocean Supply Agreement"). Pursuant to the East Ocean Supply Agreement, East Ocean and its subsidiaries ("East Ocean Group") has agreed to supply to the Group soybeans, oilseeds, oils and soybean meal products, wheat, rice and their related products, financing and services, and the Group has agreed to supply to the East Ocean Group soybeans, oilseeds, oils and soybean meal products, wheat, rice and their related products, financing and services, with reference to the prevailing market prices at the relevant time. When such market prices are not available, the parties shall negotiate the prices for the products and services based on their reasonable costs. The East Ocean Supply Agreement is effective from 1 January 2008 and will end on 31 December 2012.

17. Sinopec Framework Agreement

On 20 November 2008, Pioneer City Investments Limited ("Pioneer City"), an indirect wholly-owned subsidiary of the Company, and China Petroleum & Chemical Corporation ("Sinopec Corp") completed the Guangxi COFCO Bio-Energy Co., Ltd. (廣西中糧生物質能源有限公司) ("Guangxi Bio-Energy") acquisition where Sinopec Corp acquired 15% equity interest in Guangxi Bio-Energy from Pioneer City. Immediately upon completion of the Guangxi Bio-Energy Acquisition, Sinopec Corp became a substantial shareholder of Guangxi Bio-Energy, a non- wholly owned subsidiary of the Company, and is therefore a connected person of the Company pursuant to the Listing Rules.

On 1 January 2008, the Company and Sinopec Corp entered into a framework agreement (the "Sinopec Framework Agreement"). Pursuant to the Sinopec Framework Agreement, the Group have agreed to supply alcohol and other related products and services to Sinopec Corp and its subsidiaries ("Sinopec Corp Group"), and Sinopec Corp Group has agreed to supply gasoline, diesel fuel, and other related products and services to the Group. The Sinopec Framework Agreement is effective from 1 January 2008 and will end on 31 December 2011.

18. *Financial Services Agreement and Entrustment Loan Framework Agreement*

On 27 October 2009, the Company, COFCO Finance Co., Ltd. (中糧財務有限責任公司) ("COFCO Finance") and the COFCO Agricultural Industries Management Services Co., Ltd. (中糧農業產業管理服務有限公司) ("Management Company") entered into the Financial Services Agreement[1] and the Entrustment Loan Framework Agreement[2], respectively, in order to provide for the more efficient employment of funds within the Group, to reduce the external loans of the Group effectively and to better facilitate intra-Group settlement services.

Under the Financial Services Agreement, a cap on the maximum daily transaction amount of deposits (including accrued interests) placed by the Group with COFCO Finance pursuant to the Financial Services Agreement was set.

During the reporting period, the maximum daily transaction amount of deposits (including accrued interests) placed by the Group with COFCO Finance was approximately RMB59.0 million.

Under the Entrustment Loan Framework Agreement, an annual cap on the maximum amount of entrustment loans advanced by the Management Company to East Ocean and COFCO ADM (on an aggregated basis) pursuant to the Entrustment Loan Framework Agreement was set.

Notes:

1 *"Financial Services Agreement" the financial services agreement dated 27 October 2009 entered into among COFCO Finance, the Management Company and the Company in relation to the financial services to be provided by COFCO Finance to the Management Company and the Group.*

2 *"Entrustment Loan Framework Agreement" an entrustment loan framework agreement dated 27 October 2009 entered into among COFCO Finance, the Management Company and the Company in relation to the entrustment loans to be provided by the Management Company to the Group.*

During the reporting period, the aggregate value of amount of entrustment loans advanced by the Management Company to East Ocean and COFCO ADM was Nil.

COFCO Finance is an indirectly wholly owned subsidiary of COFCO, a substantial shareholder of the Company. Therefore, COFCO Finance is a connected person of the Company under the Listing Rules. Wilmar China holds a 45% equity interest in Grand Silver (Lanshan) Limited, which is a non-wholly owned subsidiary of the Company. Therefore, Wilmar China is a connected person of the Company under the Listing Rules. East Ocean is an associate of Wilmar China and is therefore a connected person of the Company. ADM holds a 20% equity interest in Grand Silver (Guangdong) Co. Limited, which is a non-wholly owned subsidiary of the Company. Therefore, ADM is a connected person of the Company under the Listing Rules. COFCO ADM is an associate of ADM, and is therefore also a connected person of the Company.

Other connected transactions

19. *Joint Venture Establishment*

On 6 February 2009, East Ocean, a non wholly-owned subsidiary of the Company, and COFCO executed into the Articles of Association for the establishment of the New JV, a new joint venture company. Upon its establishment, the New JV is owned as to approximately 71.74% by East Ocean and approximately 28.26% by COFCO.

As COFCO is a substantial shareholder of the Company, it is a connected person of the Company under the Listing Rules. Therefore, the establishment of the New JV constitutes connected transaction of the Company under the Listing Rules.

The total investment and the registered capital of the New JV amount to RMB336,000,000. The total commitment of the Group in the New JV is RMB241,050,000.

20. *Retained Interest Purchase*

(1) *Share purchase agreements:*

On 17 February 2009, the Company entered into four Share Purchase Agreements with COFCO Hong Kong, namely the Kindgain Share Purchase Agreement, Uptech Investments Share Purchase Agreement, Cheerlink International Share Purchase Agreement and the Parkwing Share Purchase Agreement, pursuant to which the Company has agreed to purchase all issued share capital of Kindgain, Uptech Investments, Cheerlink International and Parkwing.

Upon completion of the COFCO Dongguan Equity Purchase Agreements and the COFCO Feixian Equity Purchase Agreements, Kindgain and Uptech Investments becomes the holding companies of COFCO Dongguan and COFCO Feixian, respectively. Cheerlink International is the holding company of Yellow Dragon and Parkwing is the holding company of Jilin Packaging.

The aggregate consideration of the Share Acquisitions is HK$972,781,722.27 and was satisfied by the issuance and allotment of 263,626,483 Consideration Shares by the Company at an issue price of HK$3.69 per Consideration Share to COFCO Hong Kong at completion. The Consideration Shares represented approximately 7.3% of the existing issued share capital of the Company and approximately 6.8% of the issued share capital of the Company as enlarged by the issuance of the Consideration Shares.

(2) *Assets Purchase Agreement*

On 17 February 2009, COFCO Gongzhuling, a subsidiary of the Company, entered into the Assets Purchase Agreement with Jilin COFCO pursuant to which COFCO Gongzhuling has conditionally agreed to purchase and Jilin COFCO has conditionally agreed to sell the Assets, comprising of the Land, Buildings, Structures and Equipment and Machinery. The consideration of the Assets Acquisition pursuant to the Assets Purchase Agreement is RMB112,789,038.31 and was satisfied by the Company in cash at completion.

COFCO Hong Kong is a controlling shareholder of the Company and is therefore a connected person of the Company. The transactions contemplated under the Assets Purchase Agreement therefore constitute connected transactions of the Company.

Jilin COFCO is a subsidiary of COFCO Hong Kong and is therefore a connected person of the Company. The transactions contemplated under the Assets Purchase Agreement therefore constitute connected transactions of the Company.

The transactions were approved by the independent shareholders of the Company at the extraordinary general meeting on 24 March 2009.

21. Joint Venture Establishment:

On 26 February 2009, COFCO Xiangrui Oils & Grains Industries (Jingmen) Co., Ltd. ("COFCO Xiangrui"), a wholly owned subsidiary of the Company, and COFCO executed the articles of association for the establishment of new joint venture company named Hubei COFCO Xiangrui Oils & Gains Industries Co., Ltd. Upon its establishment, the new joint venture company is owned as to approximately 73.34% by COFCO Xiangrui and approximately 26.66% by COFCO.

As COFCO is a substantial shareholder of the Company, it is a connected person of the Company under the Listing Rules. Therefore, the establishment of the new joint venture company constitutes a connected transaction of the Company under the Listing Rules. The total investment and the registered capital of the new joint venture company amount to RMB35,600,000. The total commitment of the Group to the new joint venture company is RMB26,110,000.

22. Joint Venture Establishment:

On 16 March 2009, Excel Joy International Limited ("Excel Joy"), a wholly owned subsidiary of the Company, and COFCO executed a joint venture agreement and adopted the articles of association for the establishment of the New JV Co named Tianjin COFCO Excel Joy Lingang Storage Co., Ltd. Upon its establishment, the new joint venture company is owned as to approximately 71.72% by Excel Joy and approximately 28.28% by COFCO. The registered capital is RMB200,000,000, of which RMB143,430,000 will be contributed by Excel Joy and RMB56,570,000 by COFCO.

As COFCO is a substantial shareholder of the Company, it is a connected person of the Company under the Listing Rules. Therefore, the establishment of the new joint venture company constitutes a connected transaction of the Company under the Listing Rules.

This transaction was approved by the independent shareholders of the Company at the extraordinary general meeting on 6 May 2009.

23. Joint Venture Establishment:

On 7 April 2009, Excel Joy, a wholly owned subsidiary of the Company, COFCO and Tianjin Lingang Industry Port Corporation (天津臨港工業港務有限公司) ("Tianjin Lingang") executed the articles of association and the joint venture agreement for the establishment of a new joint venture company named Tianjin Cofco Excel Joy Oils And Grains Terminal Co., Limited. Upon its establishment, the new joint venture company is owned as to approximately 52.3% by Excel Joy, approximately 7.7% by COFCO, and approximately 40% by Tianjin Lingang.

As COFCO is a substantial shareholder of the Company, it is a connected person of the Company under the Listing Rules. Therefore, the establishment of the new joint venture company constitutes a connected transaction of the Company under the Listing Rules. The total investment and the registered capital of the new joint venture company amount to RMB409,830,000 and RMB260,000,000 respectively.

24. Retained Interests Purchase

On 28 April 2009, COFCO Hong Kong and Gredit Industry Limited completed the COFCO Feixian acquisition whereby COFCO Hong Kong acquired all issued shares in Uptech Investments Limited, the holding company of COFCO Feixian, from Gredit Industry Limited, an independent third party, pursuant to the COFCO Hong Kong Uptech Investments Share Purchase Agreement.

On 28 April 2009, COFCO Hong Kong and Gredit Industry Limited completed the COFCO Dongguan acquisition whereby COFCO Hong Kong acquired all issued shares in Kindgain Limited, the holding company of COFCO Dongguan, from Gredit Industry Limited, an independent third party, pursuant to the COFCO Hong Kong Kindgain Share Purchase Agreement.

Upon completion of the COFCO Feixian acquisition and COFCO Dongguan acquisition, COFCO Feixian and COFCO Dongguan became indirect wholly owned subsidiaries of COFCO Hong Kong, which is a controlling shareholder of the Company. COFCO Feixian and COFCO Dongguan therefore became connected persons of the Company pursuant to the Listing Rules.

The Transactions have been, and will continue to be, conducted on a regular and continuing basis and in the ordinary and usual course of business of the Group. Thus, immediately after completion of the COFCO Feixian Acquisition and COFCO Dongguan Acquisition, the Transactions contemplated under the COFCO Feixian Framework Agreement and the COFCO Dongguan Framework Agreement constituted continuing connected transactions of the Company pursuant to the Listing Rules.

The Feixian Interest and the Dongguan Interest constitute Retained Interests (as defined in the Prospectus) within the meaning of the Non-Competition Deed (as defined in the Prospectus) and are subject to the undertakings giving by COFCO and COFCO Hong Kong in respect of the Retained Interests set out in the Non-Competition Deed including, without limitation, the option and pre-emption right of the Company to acquire any part or all of such interest.

Upon completion of the transfer of the Feixian Interest and the Dongguan Interest, the Company's option to acquire the Feixian Interest and the Dongguan Interest became effective. The Company entered into agreements with COFCO Hong Kong to acquire, among other things, the Feixian Interest and the Dongguan Interest which have been approved by the independent shareholders' at the extraordinary general meeting held on 24 March 2009. On 28 April 2009, the transfer of Feixian Interest and Dongguan Interest from COFCO Hong Kong to the Company was completed. Accordingly, COFCO Dongguan and COFCO Feixian ceased to be connected persons and the Transactions ceased to be the continuing connected transactions of the Company.

25. COFCO Malt Share Purchase

On 18 December 2009, COFCO Malt Holdings Limited ("COFCO Malt"), a wholly owned subsidiary of the Company, entered into the Share Purchase Agreement[1] with COFCO Hong Kong, pursuant to which COFCO Malt agreed to purchase all the issued share capital of COFCO (BVI) No. 84 Limited and COFCO Hong Kong agreed to assign to COFCO Malt the Shareholder's Loan[2]. The aggregate consideration of the Sale Share[3] and the Shareholder's Loan is RMB136,000,000 which was satisfied by payment in cash on completion of the Share Purchase Agreement pursuant to the terms and conditions therein.

COFCO Hong Kong is a controlling shareholder of the Company and is therefore a connected person of the Company. The transactions contemplated under the Share Purchase Agreement therefore constitute connected transactions of the Company.

Annual review of continuing connected transactions

The independent non-executive Directors have reviewed the continuing connected transactions for the year ended 31 December 2009 (collectively, the "CCTs") and confirmed that the CCTs were: (a) entered into in the ordinary and usual course of business of the Group; (b) entered into on normal commercial terms; (c) in accordance with the terms of the respective agreements that are fair and reasonable and in the interests of the shareholders of the Company as a whole; and (d) carried out in accordance with the terms of the agreements governing such transactions or, where there was no such agreement, on terms no less favourable than those available to or from independent third parties. The auditors of the Company have reviewed the CCTs and confirmed that the CCTs:

(a) were approved by the Directors;

(b) were in accordance with the pricing policies of the Group;

Notes:

1 *"Share Purchase Agreement" a share purchase agreement date 18 December 2009 between COFCO Malt and COFCO Hong Kong in relation to the sale and purchase of the shares in COFCO (BVI) No.84 and the assignment of the Shareholder's Loan.*

2 *"Shareholder's Loan" shareholder's loan in the amount of HK$117,000,000 advanced by COFCO Hong Kong to COFCO (BVI) No.84.*

3 *"Sale Share" the one (1) share to be sold by COFCO Hong Kong to COFCO Malt (representing the entire share capital of COFCO (BVI) No.84).*

(c) were entered into in accordance with the respective agreements governing the transactions; and

(d) have not exceeded the respective annual caps as disclosed in the Prospectus and the relevant annual caps as disclosed or revised in the announcements of the Company dated 21 November 2008 and 27 October 2009.

Directors' interests in competing business

Pursuant to Rule 8.10 of the Listing Rules, as disclosed below, during the year, the following Directors are considered to have interests in the following companies which are likely to compete directly or indirectly with the business of the Group ("Competing Companies"):

1. COFCO holds approximately 20.74% of the issue share capital of Anhui BBCA Biochemical Co., Ltd. ("Anhui BBCA"), a company mainly engaged in the processing of agricultural products to produce biofuel and biomaterials, which is similar to our biofuel and biochemical business. Mr. Yue Guojun is a director and chairman of the board of Anhui BBCA. COFCO also holds a 49.08% equity interest in Xinjiang Tayuan Safflower Co., Ltd. ("Xinjiang Tayuan"), which is mainly engaged in the business of safflower oil extraction, which is similar to part of our oilseeds processing business. Mr. Lu Jun is a director and chairman of the board of Xinjiang Tayuan.

   Mr. Ning Gaoning is a director and chairman of the board of COFCO. Mr. Yu Xubo is the president and Mr. Lu Jun and Mr. Yue Guojun are assistant presidents of COFCO. Mr. Chi Jingtao and Mr. Ma Wangjun hold positions in COFCO as the head of human resources department and the head of finance department, respectively.

2. Wilmar International Holdings Limited ("Wilmar International") holds certain business which is similar to our oilseeds processing business. Mr. Yu Xubo is director of Wilmar International. Mr. Lu Jun is a director of Wilmar Holdings Pte. Ltd. which is a substantial shareholder of Wilmar International, Grand Silver (Laiyang) Co., Limited (嘉銀萊陽有限公司), and Great Ocean Oil and Grain Industries (Fang Cheng Gang) Co. Ltd., which are Wilmar International's subsidiaries.

3. Jilin COFCO Bio-chemical Co Ltd ("Jilin COFCO"), a wholly-owned subsidiary of COFCO Hong Kong, holds certain interests in the business of production of starch, which is similar to our biochemical business. Mr. Yue Guojun is a director and chairman of the board of Jilin COFCO.

As the Board of the Company is independent from the boards of Competing Companies, and the above Directors do not control the Board of the Company, the Group is capable of carrying on its business independently of, and at arm's length from, the businesses of Competing Companies.

Save as disclosed above, no Directors are considered to have interests in any business which is likely to compete directly or indirectly with that of the Group during the year.

Purchase, redemption or sale of the company's listed securities

During the year ended 31 December 2009, 264,678,483 new ordinary Shares of HK$0.10 each in the share capital of the Company were allotted as follows:

- 263,626,483 Shares were allotted to COFCO (HK) on 28 April 2009 at a price of HK$3.69 per share pursuant to the relevant share purchase agreements in consideration of the Company's acquisition of shares in Kindgain Limited, Uptech Investments Limited, Cheerlink International Limited and Parkwing Limited by the Company. The fair value of the share at the issue date is HK$3.91 per share. Please refer to the Company's announcement dated 17 February 2009 and circular dated 6 March 2009 for further details; and

- 1,052,000 Shares were allotted at an exercise price of HK$4.666 pursuant to the exercise of share options granted on 7 August 2007 under the Scheme of the Company adopted on 12 January 2007 as follows:

Month	Shares
October	205,000
November	263,000
December	584,000
Total:	1,052,000

Please refer to the Company's monthly returns and next day disclosure returns as required by the Listing Rules released during the above mentioned respective months for further details.

Save as disclosed above, neither the Company nor its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2009.

Non-competition deed

As disclosed in the Prospectus, the following interests (the "Retained Interests") were anticipated to be held or acquired by COFCO Group which compete or may compete with the Company's businesses:

(a) a 100% equity interest in each of Fei County Zhong Zhi Oils & Fats Co., Ltd., and Dongguan Zhong Gu Oils & Fats Co., Ltd. (collectively "China Grain Oils"), both of which are principally engaged in oil extraction and soybean meal production business;

(b) a 37.03% interest in Jilin Bio-chemical, a company listed on the Shanghai Stock Exchange, which is primarily engaged in corn processing business;

(c) a 20.74% interest in Anhui BBCA, a company listed on the Shenzhen Stock Exchange, which is involved in bio- chemical business; and

(d) a 49.08% equity interest in Xinjiang Tayuan, the business of which includes edible safflower oil extraction.

COFCO, COFCO (HK) and the Company executed a non- competition deed on 16 February 2007 ("Non-competition Deed"), pursuant to which COFCO and COFCO (HK) have granted to the Company options to acquire all or part of the Retained Interests held by COFCO, on the basis of a valuation to be conducted by an independent valuer, jointly appointed by COFCO and the Company, subject to any relevant laws and applicable rules, relevant authorities' approvals and existing third-party pre-emptive rights (if any). Under the Non-competition Deed, if COFCO or COFCO (HK) intends to transfer, sell, lease, license or dispose to any third party any direct or indirect interest in any of such Retained Interests, then the Company has pre-emptive rights to purchase any Retained Interests on terms no less favorable than those offered to such third party. A subsidiary of COFCO entered into a share sale and purchase agreement on November 2005 (the "2005 SPA"), to acquire from China Resources Group a 37.03% interest in Jilin Bio-chemical.

In May 2007, the Board was informed by COFCO that the 2005 SPA had been terminated by the parties, due to the change in the share reclassification programme proposal of Jilin Biochemical; therefore, the corresponding option and pre-emption right granted to the Company in this regard has lapsed. Following the termination of the 2005 SPA, COFCO and/or one of its subsidiaries intended to enter into a sale and purchase agreement with Jilin Bio-chemical (the "Proposed SPA"), for the acquisition of certain business/assets of Jilin Bio-chemical (the "New Interests"). The New Interests constitute New Business Opportunities within the meaning of the Non-Competition Deed. Having taken into the account the principal factors and considerations set out in the announcement of the Company dated 9 May 2007, the Independent Non-executive Directors ("INEDs") are of the opinion that it is not appropriate, and not in the best interests of the Company and the shareholders of the Company as a whole, for the Company to acquire the New Interests on the terms of the Proposed SPA. Accordingly, the Board has given its written consent for COFCO and/or one of its subsidiaries to enter into the Proposed SPA.

On 26 September 2008, the Board was informed by COFCO that a subsidiary of COFCO (HK), and Jilin Bio-chemical, entered into a new sale and purchase agreement ("the New SPA"). Following the New SPA, the transfer of Huanglong Food Industry Company Limited ("Yellow Dragon"), Jilin CRC Biochemistry Packaging Company Limited ("Jilin Packaging") and Land Interest (as defined in the announcement of the Company dated 27 February 2009), three business/assets, among other things, of the New Interests were completed on 26 September 2008, 17 October 2008 and 24 December 2008 respectively, upon which the option to acquire any part or all of the three business/assets became effective.

On 12 February 2009, the Board was informed by COFCO that, COFCO (HK) entered into COFCO Hong Kong Kindgain Share Purchase Agreements (as defined in the announcement of the Company dated 27 February 2009) and COFCO Hong Kong Uptech Investments Share Purchase Agreements (as defined in the announcement of the Company dated 27 February 2009), to purchase China Grain Oils interests. Upon completion of the transfer of the interests in Fei County Zhong Zhi Oils & Fats Co., Ltd. ("Feixian") and Dongguan Zhong Gu Oils & Fats Co., Ltd. ("Dongguan") the option to acquire any part or all of the China Grain Oils interests will become effective.

On 17 February 2009, the Company entered into four conditional Share Purchase Agreements and one conditional Assets Purchase Agreement with COFCO (HK), to purchase Yellow Dragon, Jinlin Packaging, Land Interests and China Grain Oils, from COFCO, which have been approved at the extraordinary general meeting of the Company held on 24 March 2009.

On 24 March 2009, the transfer of Yellow Dragon interest and Jinlin Packaging interest from COFCO Hong Kong to the Company was completed.

On 28 April 2009, the transfer of Feixian interest and Dongguan interest from COFCO Hong Kong to the Company was completed.

The options of the Company to acquire from COFCO any interest or business in Anhui BBCA and Xinjiang Tayuan (collectively, the "Options") became effective on 3 April 2007 and 10 April 2007, respectively. The INEDs, who attended the Board meeting on 8 July 2008 reviewed information regarding the Options provided to them, which they believe to be sufficient in forming their opinion. Having taken into account the principal factors and considerations set out in the announcement of the Company dated 8 July 2008, the INEDs were of the opinion that it was not appropriate and not in the best interests of the Company and the shareholders of the Company as a whole to exercise such Options at that time. Accordingly, the Board decided not to exercise the Options before the next anniversary of the Options becoming effective.

The Options will remain in effect so long as the Non-Competition Deed remains effective and will be reviewed by the INEDs on an annual basis. A final and definitive decision will be made as to whether to exercise the options or not on the fifth anniversaries of the Options becoming effective, if such decision has not been taken before such time. COFCO has undertaken to the Company that if, on the fifth anniversaries of the Options having become effective, a decision is made not to exercise such Options by the Company, then COFCO will dispose of the interests or businesses in respect of the Options to independent third parties within six months of such decision having become effective. If for any reason additional time after the fifth anniversary is deemed necessary for the proper evaluation of the Options, such decision to extend would be voted on solely by the INEDs and be decided by majority vote.

Corporate governance

The Company is committed to developing good corporate governance standards. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on page 61 to page 72 of this annual report.

Donations

During the year, the Group made charitable and other donations amounting to approximately HK$1.2 million.

Review by audit committee

The Audit Committee has reviewed with the auditors of the Company the audited financial statements for the year ended 31 December 2009 and has also discussed auditing, internal control and financial reporting matters, including the review of the accounting practices and principles adopted by the Group.

Auditors

Ernst & Young shall retire at the forthcoming annual general meeting, and a resolution for their reappointment as auditors of the Company will be proposed at the meeting.

On behalf of the Board

YU Xubo
Managing Director

Hong Kong, 30 March 2010

Independent Auditors' Report

ERNST & YOUNG
安 永

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

We have audited the financial statements of China Agri-Industries Holdings Limited set out on pages 110 to 196, which comprise the consolidated and company statements of financial position as at 31 December 2009, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. Our report is made solely to you, as a body, in accordance with Section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditors' Report

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2009 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
18th Floor
Two International Finance Centre
8 Finance Street
Central
Hong Kong
30 March 2010

Consolidated Income Statement

Year ended 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
REVENUE	5	**43,827,891**	41,802,056
Cost of sales	6	**(40,568,455)**	(36,642,837)
Gross profit		**3,259,436**	5,159,219
Other income and gains	5	**1,377,830**	1,876,213
Selling and distribution costs		**(1,552,314)**	(1,606,334)
Administrative expenses		**(837,887)**	(773,156)
Other expenses		**(27,552)**	(51,716)
Finance costs	7	**(239,121)**	(388,964)
Share of profits of associates		**355,168**	133,403
PROFIT BEFORE TAX	6	**2,335,560**	4,348,665
Income tax expense	10	**(291,980)**	(883,516)
PROFIT FOR THE YEAR		**2,043,580**	3,465,149
Attributable to:			
Owners of the Company		**1,952,042**	2,624,937
Minority interests		**91,538**	840,212
		2,043,580	3,465,149
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	13		
Basic		**HK51.74 cents**	HK73.0 cents
Diluted		**HK51.71 cents**	N/A

Details of the dividends payable and proposed for the year are disclosed in note 12 to the financial statements.

Consolidated Statement of Comprehensive Income

Year ended 31 December 2009

	2009 HK$'000	2008 HK$'000
PROFIT FOR THE YEAR	**2,043,580**	3,465,149
Exchange difference on translation of financial statements of overseas entities	**13,563**	670,546
Other comprehensive income for the year, net of tax	**13,563**	670,546
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**2,057,143**	4,135,695
Attributable to:		
Owners of the Company	**1,962,511**	3,185,839
Minority interests	**94,632**	949,856
	2,057,143	4,135,695

Consolidated Statement of Financial Position

31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**9,572,103**	8,266,058
Prepaid land premiums	15	**1,038,265**	494,702
Deposits for purchases of items of property, plant and equipment		**301,590**	35,820
Goodwill	16	**1,020,635**	644,631
Interests in associates	18	**1,644,724**	1,595,695
Available-for-sale investments	19	**2,728**	9,621
Intangible assets	20	**36,134**	28,489
Deferred tax assets	27	**222,172**	122,851
Total non-current assets		**13,838,351**	11,197,867
CURRENT ASSETS			
Inventories	21	**7,031,225**	5,248,678
Accounts and bills receivables	22	**1,921,473**	1,853,560
Prepayments, deposits and other receivables		**3,759,310**	2,725,340
Derivative financial instruments	23	**10,211**	947
Due from fellow subsidiaries	36	**3,103,759**	1,597,700
Due from related companies	36	**57,938**	37,839
Due from the ultimate holding company	36	**214**	161,003
Due from minority shareholders of subsidiaries	36	**28,734**	101,184
Due from associates	18	**683,028**	360,667
Tax recoverable		**118,307**	23,791
Pledged deposits	24	**23,784**	63,517
Cash and cash equivalents	24	**5,515,280**	4,894,435
Total current assets		**22,253,263**	17,068,661
CURRENT LIABILITIES			
Accounts and bills payables	25	**1,270,984**	2,071,654
Other payables and accruals		**1,865,747**	1,690,218
Deferred income		**12,649**	11,977
Derivative financial instruments	23	**855,246**	506,934
Interest-bearing bank and other borrowings	26	**11,712,861**	5,220,132
Due to fellow subsidiaries	36	**128,784**	156,831
Due to the ultimate holding company	36	**–**	424,605
Due to related companies	36	**15,886**	195,779
Due to minority shareholders of subsidiaries	36	**36,165**	8,807
Due to associates	18	**139,473**	5,276
Tax payable		**98,513**	486,554
Total current liabilities		**16,136,308**	10,778,767
NET CURRENT ASSETS		**6,116,955**	6,289,894
TOTAL ASSETS LESS CURRENT LIABILITIES		**19,955,306**	17,487,761

Consolidated Statement of Financial Position

31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**19,955,306**	17,487,761
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	26	**1,116,411**	1,155,922
Due to minority shareholders of subsidiaries	36	**129,606**	129,476
Long-term payable		**5,918**	2,470
Deferred income		**111,092**	114,486
Deferred tax liabilities	27	**196,742**	139,976
Total non-current liabilities		**1,559,769**	1,542,330
Net assets		**18,395,537**	15,945,431
EQUITY			
Equity attributable to owners of the Company			
Issued capital	28	**385,858**	359,391
Reserves	30(a)	**15,216,531**	12,718,407
Proposed final dividends	12	**227,657**	524,624
		15,830,046	13,602,422
Minority interests		**2,565,491**	2,343,009
Total equity		**18,395,537**	15,945,431

YU Xubo
Director

LU Jun
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2009

	Note	Attributable to owners of the Company										
		Issued capital	Share premium	Capital reserve	Employee share-based compensation reserve	Reserve funds	Exchange fluctuation reserve	Retained profits	Proposed final dividend	Total	Minority interests	Total equity
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2008		359,391	2,746,299	4,754,699	6,647	178,070	685,694	1,669,471	–	10,400,271	1,352,110	11,752,381
Total comprehensive income for the year		–	–	–	–	–	560,902	2,624,937	–	3,185,839	949,856	4,135,695
Transfer from retained profits		–	–	–	–	134,183	–	(134,183)	–	–	–	–
Partial disposal of a subsidiary		–	–	–	–	–	–	–	–	–	54,567	54,567
Equity-settled share option arrangements	29	–	–	–	16,312	–	–	–	–	16,312	–	16,312
Dividends paid to minority shareholders of subsidiaries		–	–	–	–	–	–	–	–	–	(13,524)	(13,524)
Proposed final 2008 dividend	12	–	–	–	–	–	–	(524,624)	524,624	–	–	–
At 31 December 2008		359,391	2,746,299*	4,754,699*	22,959*	312,253*	1,246,596*	3,635,601*	524,624	13,602,422	2,343,009	15,945,431

	Notes	Attributable to owners of the Company										
		Issued capital	Share premium	Capital reserve	Employee share-based compensation reserve	Reserve funds	Exchange fluctuation reserve	Retained profits	Proposed final dividend	Total	Minority interests	Total equity
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2009		359,391	2,746,299	4,754,699	22,959	312,253	1,246,596	3,635,601	524,624	13,602,422	2,343,009	15,945,431
Total comprehensive income for the year		–	–	–	–	–	10,469	1,952,042	–	1,962,511	94,632	2,057,143
Transfer from retained profits		–	–	–	–	211,103	–	(211,103)	–	–	–	–
Contribution from a minority shareholder		–	–	–	–	–	–	–	–	–	222,672	222,672
Issue of shares for acquisition of subsidiaries	28, 31	26,362	1,004,417	–	–	–	–	–	–	1,030,779	208,855	1,239,634
Exercise of share options	28	105	6,545	–	(1,742)	–	–	–	–	4,908	–	4,908
Share issue expenses		–	(34)	–	–	–	–	–	–	(34)	–	(34)
Equity-settled share option arrangements	29	–	–	–	13,325	–	–	–	–	13,325	–	13,325
Release upon forfeited share options	29	–	–	–	(786)	–	–	–	–	(786)	–	(786)
Dividends paid to minority shareholders of subsidiaries		–	–	–	–	–	–	–	–	–	(303,677)	(303,677)
Final 2008 dividend declared		–	–	–	–	–	–	–	(524,624)	(524,624)	–	(524,624)
2009 interim dividend declared	12	–	–	–	–	–	–	(258,455)	–	(258,455)	–	(258,455)
Proposed final 2009 dividend	12	–	–	–	–	–	–	(227,657)	227,657	–	–	–
At 31 December 2009		385,858	3,757,227*	4,754,699*	33,756*	523,356*	1,257,065*	4,890,428*	227,657	15,830,046	2,565,491	18,395,537

* These reserve accounts comprise the consolidated reserves of HK$15,216,531,000 (2008: HK$12,718,407,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**2,335,560**	4,348,665
Adjustments for:			
Finance costs	7	**239,121**	388,964
Write-down/(reversal) of inventories to net realisable value	6	**(12,338)**	270,319
Impairment of receivables	6	**1,594**	9,529
Depreciation and amortisation	6	**678,221**	523,662
Losses on disposal of items of property, plant and equipment	6	**11,987**	8,384
Gain on partial disposal of a subsidiary	5	**–**	(3,368)
Gain on disposal of available-for-sale investments	5	**(614)**	–
Impairment of items of property, plant and equipment	6	**232**	16,222
Recognition of prepaid land premiums	6	**25,094**	11,840
Share of profits of associates		**(355,168)**	(133,403)
Interest income	5	**(43,613)**	(76,016)
Unrealised losses on derivative instruments	6	**845,010**	497,708
Unrealised losses/(gains) on currency forward contracts		**(654)**	6,154
Excess over the cost of business combinations	5	**(37,847)**	–
Government grants	5	**(955,321)**	(690,999)
Equity-settled share option expense	29	**12,539**	16,312
		2,743,803	5,193,973
Increase in inventories		**(1,053,886)**	(1,666,806)
Decrease/(increase) in accounts and bills receivables		**108,411**	(202,449)
Increase in prepayments, deposits and other receivables		**(817,225)**	(822,895)
Increase in amounts due from fellow subsidiaries		**(1,289,025)**	(281,757)
Increase in amounts due from associates		**(288,407)**	(107,787)
Increase in amounts due from related companies		**(20,025)**	(28,379)
Decrease in derivative financial instruments		**(538,283)**	(418,864)
Decrease/(increase) in an amount due from the ultimate holding company		**160,917**	(154,217)
Decrease/(increase) in amounts due from minority shareholders of subsidiaries		**15,194**	(41,881)
Increase/(decrease) in accounts and bills payables		**(1,159,308)**	505,130
Increase in other payables and accruals		**53,244**	96,225
Decrease in amounts due to fellow subsidiaries		**(497,184)**	(62,988)
Increase/(decrease) in an amount due to the ultimate holding company		**(424,942)**	326,296
Increase/(decrease) in amounts due to related companies		**(179,930)**	195,446
Increase/(decrease) in amounts due to associates		**134,082**	(10,775)
Increase in amounts due to minority shareholders of subsidiaries		**652**	7,595
Government grants received		**978,115**	281,610
Cash generated from/(used in) operations		**(2,073,797)**	2,807,477

Consolidated Statement of Cash Flows

Year ended 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
Cash generated from/(used in) operations		**(2,073,797)**	2,807,477
Interest received		**43,613**	76,016
Interest paid		**(239,121)**	(385,569)
Income tax paid		**(846,964)**	(387,008)
Net cash flows from/(used in) operating activities		**(3,116,269)**	2,110,916
CASH FLOWS FROM INVESTING ACTIVITIES			
Decrease in pledged deposits		**60,875**	270,557
Acquisition of subsidiaries	31	**50,662**	(6,018)
Dividends from associates		**285,963**	27,334
Disposal of an available-for-sale investment	5	**614**	–
Proceeds from disposal of items of property, plant and equipment		**5,608**	31,882
Purchases of items of property, plant and equipment		**(1,582,787)**	(1,150,088)
Additions to prepaid land premiums		**(441,353)**	(47,887)
Government grants received		**8,311**	21,523
Additions to intangible assets		**(1,824)**	(23,451)
Decrease in loan to an associate		**20,342**	–
Net cash flow used in investing activities		**(1,593,589)**	(876,148)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in amounts due to minority shareholders of subsidiaries		**–**	5,586
New bank loans		**45,195,985**	29,698,796
New other loans		**340,445**	234,000
Repayments of bank loans		**(39,048,978)**	(29,696,860)
Repayments of other loans		**(312,000)**	–
Capital contribution from minority shareholders		**172,237**	–
Dividends paid		**(705,190)**	–
Dividends paid to minority shareholders of subsidiaries		**(317,185)**	(13,524)
Proceeds from exercise of share-option scheme		**4,908**	–
Share issue expenses		**(34)**	–
Interest paid		**(1,103)**	(8,432)
Net cash flows from financing activities		**5,329,085**	219,566
NET INCREASE IN CASH AND CASH EQUIVALENTS		**619,227**	1,454,334
Cash and cash equivalents at beginning of year		**4,894,435**	3,286,643
Effect of foreign exchange rate changes, net		**1,618**	153,458
CASH AND CASH EQUIVALENTS AT END OF YEAR		**5,515,280**	4,894,435
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	24	**5,021,509**	3,728,613
Non-pledged time deposits with original maturity of less than three months when acquired	24	**493,771**	1,165,822
		5,515,280	4,894,435

Statement of Financial Position

31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
NON-CURRENT ASSETS			
Plant, machinery and equipment	14	**248**	1,573
Interests in subsidiaries	17	**8,991,388**	7,313,083
Total non-current assets		**8,991,636**	7,314,656
CURRENT ASSETS			
Due from subsidiaries	17	**830,615**	1,925,385
Due from a fellow subsidiary		**–**	77
Prepayments, deposits and other receivables		**473**	2,052
Cash and cash equivalents	24	**1,047,988**	1,130,004
Total current assets		**1,879,076**	3,057,518
CURRENT LIABILITIES			
Other payables and accruals		**89,228**	16,321
Due to subsidiaries	17	**–**	92,035
Total current liabilities		**89,228**	108,356
NET CURRENT ASSETS		**1,789,848**	2,949,162
TOTAL ASSETS LESS CURRENT LIABILITIES		**10,781,484**	10,263,818
Net assets		**10,781,484**	10,263,818
EQUITY			
Issued capital	28	**385,858**	359,391
Reserves	30(b)	**10,167,969**	9,379,803
Proposed final dividends	12	**227,657**	524,624
Total equity		**10,781,484**	10,263,818

YU Xubo
Director

LU Jun
Director

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 33rd Floor, Top Glory Tower, 262 Gloucester Road, Causeway Bay, Hong Kong.

During the year, the Company and its subsidiaries (collectively referred to as the "Group") was involved in the following principal activities:

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

The Company is a subsidiary of COFCO (Hong Kong) Limited ("COFCO HK"), 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

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for derivative financial instruments, which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2009. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

The acquisition of subsidiaries during the year has been accounted for using the purchase method of accounting. This method involves allocating the cost of the business combinations to the fair value of the identifiable assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The cost of the acquisition is measured at the aggregate of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

2.1 Basis of Preparation (continued)

Basis of consolidation (continued)

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries. An acquisition of minority interests is accounted for using the parent entity extension method whereby the difference between the consideration and the book value of the share of the net assets acquired is recognised as goodwill.

2.2 Changes in Accounting Policy and Disclosures

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 *First-time Adoption of HKFRSs* and HKAS 27 *Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Vesting Conditions and Cancellations*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments*
HKFRS 8	*Operating Segments*
HKFRS 8 Amendment*	Amendment to HKFRS 8 *Operating Segments – Disclosure of information about segment assets* (early adopted)
HKAS 1 (Revised)	*Presentation of Financial Statements*
HKAS 18 Amendment*	Amendment to Appendix to HKAS 18 *Revenue – Determining whether an entity is acting as a principal or as an agent*
HKAS 23 (Revised)	*Borrowing Costs*
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation* and HKAS 1 *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation*
HK(IFRIC)-Int 9 and HKAS 39 Amendments	Amendments to HK(IFRIC)-Int 9 *Reassessment of Embedded Derivatives* and HKAS 39 *Financial Instruments: Recognition and Measurement – Embedded Derivatives*
HK(IFRIC)-Int 13	*Customer Loyalty Programmes*
HK(IFRIC)-Int 15	*Agreements for the Construction of Real Estate*
HK(IFRIC)-Int 16	*Hedges of a Net Investment in a Foreign Operation*
HK(IFRIC)-Int 18	*Transfers of Assets from Customers* (adopted from 1 July 2009)
Improvements to HKFRSs (October 2008)**	Amendments to a number of HKFRSs

* Included in *Improvements to HKFRSs 2009* (as issued in May 2009).

** The Group adopted all the improvements to HKFRSs issued in October 2008 except for the amendments to HKFRS 5 *Non-current assets Held for Sale and Discontinued Operations – Plan to sell the controlling interest in a subsidiary*, which is effective *for annual periods beginning on or after 1 July 2009*.

2.2 Changes in Accounting Policy and Disclosures (continued)

Other than as further explained below regarding the impact of HKAS 1 (Revised) and HKFRS 8, the adoption of these new and revised HKFRSs has had no significant financial effect on these financial statements.

HKAS 1 (Revised) *Presentation of Financial Statements*

HKAS 1 (Revised) introduces changes in the presentation and disclosures of financial statements. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, this standard introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group has elected to present two statements.

HKFRS 8 *Operating Segments*

HKFRS 8, which replaces HKAS 14 *Segment Reporting*, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The Group concluded that the operating segments determined in accordance with HKFRS 8 are the same as the business segments previously identified under HKAS 14. These revised disclosures, including the related revised comparative information, are shown in note 4 to the financial statements.

2.3 Issued But Not Yet Effective Hong Kong Financial Reporting Standards

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 1 (Revised)	*First-time Adoption of Hong Kong Financial Reporting Standards* [1]
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters* [2]
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Group Cash-settled Share-based Payment Transactions* [2]
HKFRS 3 (Revised)	*Business Combinations* [1]
HKFRS 9	*Financial Instruments* [6]
HKAS 24 (Revised)	*Related Party Disclosures* [5]
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements* [1]
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation – Classification of Rights Issues* [3]
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items* [1]
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement* [5]
HK(IFRIC)-Int 17	*Distributions of Non-cash Assets to Owners* [1]
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments* [4]
Amendments to HKFRS 5 included in *Improvements to HKFRSs* issued in October 2008	Amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations – Plan to Sell the Controlling Interest in a Subsidiary* [1]
HK Interpretation 4 (Revised in December 2009)	*Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases* [2]

Apart from the above, the HKICPA has issued *Improvements to HKFRSs 2009* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 2, HKAS 38, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16 are effective for annual periods beginning on or after 1 July 2009 while the amendments to HKFRS 5, HKFRS 8, HKAS 1, HKAS 7, HKAS 17, HKAS 36 and HKAS 39 are effective for annual periods beginning on or after 1 January 2010 although there are separate transitional provisions for each standard or interpretation.

[1] Effective for annual periods beginning on or after 1 July 2009
[2] Effective for annual periods beginning on or after 1 January 2010
[3] Effective for annual periods beginning on or after 1 February 2010
[4] Effective for annual periods beginning on or after 1 July 2010
[5] Effective for annual periods beginning on or after 1 January 2011
[6] Effective for annual periods beginning on or after 1 January 2013

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

2.4 Summary of Significant Accounting Policies

Subsidiaries

A subsidiary is an entity in which the Company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors; or over which the Company has a contractual right to exercise a dominant influence with respect to that entity's financial and operating policies.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

Joint ventures

A joint venture is an entity set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture entity and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture is treated as:

(a) a subsidiary, if the Group, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors; or over which the Group has a contractual right to exercise a dominant influence with respect to the joint venture's financial and operating policies;

(b) an associate, if the Group does not have unilateral or joint control/dominant influence, but holds, directly or indirectly, generally not less than 20% of the joint venture's registered capital and is in a position to exercise significant influence over the joint venture; or

(c) an equity investment accounted for in accordance with HKAS 39, if the Group holds, directly or indirectly, less than 20% of the joint venture's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture.

Associates

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

2.4 Summary of Significant Accounting Policies (continued)

Associates (continued)

The Group's interests in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates is included as part of the Group's interests in associates and is not individually tested for impairment.

Goodwill

Goodwill arising on the acquisition of subsidiaries and associates represents the excess of the cost of the business combinations, over the Group's interest in the fair value of the acquirees' identifiable assets acquired, and liabilities and contingent liabilities assumed as at the date of acquisition.

Goodwill arising on acquisition is recognised in the consolidated statement of financial position as an asset, initially measured at cost and subsequently at cost less any accumulated impairment losses. In the case of associates, goodwill is included in the carrying amount thereof, rather than as a separately identified asset on the consolidated statement of financial position.

The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combinations, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Excess over the cost of business combinations

Any excess of the Group's interest in the net fair value of the acquirees' identifiable assets, liabilities and contingent liabilities over the cost of acquisition of subsidiaries, after reassessment, is recognised immediately in the income statement.

2.4 Summary of Significant Accounting Policies (continued)

Impairment of non-financial assets other than goodwill

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, financial assets, and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the income statement in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a member of the key management personnel of the Group or any of its holding companies;

(d) the party is a close member of the family of any individual referred to in (a) or (c);

(e) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (c) or (d); or

(f) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

2.4 Summary of Significant Accounting Policies (continued)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	3% to 9.5%
Plant, machinery and equipment	4.5% to 50%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

2.4 Summary of Significant Accounting Policies (continued)

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combinations is the fair value as at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the income statement on the straight-line basis over the lease terms.

Prepaid land premiums under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, and available-for-sale investments, or as derivatives as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

The Group's financial assets include cash and bank balances, trade and other receivables, unquoted financial instruments and derivative financial instruments.

2.4 Summary of Significant Accounting Policies (continued)

Investments and other financial assets (continued)

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with changes in fair value recognised in the income statement. These net fair value changes do not include any dividends on these financial assets, which are recognised in accordance with the policy set out for "Revenue recognition" below.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance income in the income statement. The loss arising from impairment is recognised in the income statement in other operating expenses.

Available-for-sale investments

Available-for-sale investments are non-derivative financial assets in unlisted equity securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial recognition, available-for-sale investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment valuation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the income statement in other income, or until the investment is determined to be impaired, at which time the cumulative gain or loss is recognised in the income statement in other income and removed from the available-for-sale investment valuation reserve. Interest and dividends earned are reported as interest income and dividend income, respectively and are recognised in the income statement as other income in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

2.4 Summary of Significant Accounting Policies (continued)

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the income statement.

2.4 Summary of Significant Accounting Policies (continued)

Impairment of financial assets (continued)

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Group has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of HKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives financial instruments, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, an amount due to the group companies, due to minority shareholders of subsidiaries, due to related parties and associates, derivative financial instruments and interest-bearing loans and borrowings.

2.4 Summary of Significant Accounting Policies (continued)

Financial liabilities (continued)

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the income statement. The net fair value gain or loss recognised in the income statement does not include any interest charged on these financial liabilities.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the income statement.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2.4 Summary of Significant Accounting Policies (continued)

Fair value of financial instruments

The fair value of financial instruments that are traded in active financial markets is determined by reference to quoted market prices or dealer price quotations price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments where there is no active market, the fair value is determined using appropriate valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis.

Derivative financial instruments

The Group uses derivative financial instruments such as foreign currency forward contracts and commodity future contracts to hedge its foreign currency risk, commodity price risk and interest risk, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets (classified as financial assets at fair value through profit or loss) when the fair value is positive and as liabilities (classified as financial liabilities at fair value through profit or loss) when the fair value is negative.

The fair value of commodity contracts that meet the definition of a derivative as defined by HKAS 39 but are entered into in accordance with the Group's expected purchase requirements is recognised in the income statement in cost of sales.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the income statement as the Group does not adopt hedge accounting.

The fair value of foreign currency forward contracts is determined using the rates quoted by the Group's bankers to terminate the contracts at the end of the reporting period. The fair value of commodity future contracts is measured by reference to quoted market prices.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

2.4 Summary of Significant Accounting Policies (continued)

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in “Finance costs” in the income statement.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2.4 Summary of Significant Accounting Policies (continued)

Income tax (continued)

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset by equal annual instalments.

2.4 Summary of Significant Accounting Policies (continued)

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) income from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) storage income, on a time proportion basis over the lease terms;

(c) agency commission, when the right to receive commission has been established;

(d) income from the rendering of services, in the period in which the services are rendered;

(e) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset;

(f) compensation income, when the right to receive payment has been established;

(g) proceeds from the sales of investments, on the transaction dates when the relevant contract notes are exchanged; and

(h) tax refunds, when the acknowledgement of refunds from the tax bureau has been received.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

2.4 Summary of Significant Accounting Policies (continued)

Employee benefits

Share-based payment transactions

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by the Group using the Black-Scholes-Merton option pricing model, further details of which are given in note 29 to the financial statements.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the income statement for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the reward are met. In addition, an expense is recognised for any modification, that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. All cancellations of equity-settled transaction awards are treated equally.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

2.4 Summary of Significant Accounting Policies (continued)

Employee benefits (continued)

Pension scheme and other retirement benefits

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by either the relevant authorities or the local municipal governments of the provinces in Mainland China in which the Group's subsidiaries are located. The Group is required to contribute to the central pension scheme in respect of its employees in Mainland China and such costs are charged to the income statement as incurred.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

2.4 Summary of Significant Accounting Policies (continued)

Foreign currencies (continued)

The functional currencies of certain overseas subsidiaries and associates are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the end of the reporting period and their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. Significant Accounting Judgements and Estimates

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgement

Withholding tax arising from the distribution of dividends

The Group's determination as to whether to accrue for withholding taxes arising from the distributions of dividends from certain subsidiaries according to the relevant tax jurisdictions is subject to judgement on the timing of the payment of the dividends. The Group considered that if profits will not be distributed in the foreseeable future, then no withholding tax should be provided. As at 31 December 2009, the deferred tax liabilities arising thereon amounted to HK$143,235,000 (2008: HK$119,786,000).

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

3. Significant Accounting Judgementals and Estimates (continued)

Estimation uncertainty (continued)

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2009 was HK$1,020,635,000 (2008: HK$644,631,000). More details are given in note 16.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The amount of unrecognised tax losses at 31 December 2009 was HK$531,849,000 (2008: HK$57,223,000). Further details are contained in note 27 to the financial statements.

Impairment of property, plant and equipment

The carrying value of property, plant and equipment is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable in accordance with the accounting policies as disclosed in the relevant parts in note 2.4 of the financial statements. The recoverable amount of the property, plant and equipment is the greater of the fair value less costs to sell and value in use, the calculations of which involve the use of estimates. Impairment of property, plant and equipment of HK$232,000 (2008: HK$16,222,000) was recognised in the consolidated income statement for the year. The carrying amount of property, plant and equipment was HK$9,572,103,000 (2008: HK$8,266,058,000) as at 31 December 2009.

Impairment of receivables

Impairment of receivables is made based on an assessment of the recoverability of accounts and other receivables and the timing of their recovery. The identification of impairment of receivables requires management judgement and estimation. Where the actual outcome or expectation in future is different from the original estimates, such differences will impact on the carrying values of accounts and other receivables and the amount of impairment/write-back of impairment in the periods in which such estimates have been changed. Impairment of receivables of HK$1,594,000 (2008: HK$9,529,000) was recognised in the consolidated income statement for the year. The aggregate carrying amount of accounts and bills receivables, and prepayments, deposits and other receivables as at 31 December 2009 was HK$5,680,783,000 (2008: HK$4,578,900,000).

4. Operating Segment Information

For management purposes, 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 businesses;

(b) the brewing materials segment engages in the processing and trading of malt;

(c) the rice trading and processing segment engages in the trading and processing of rice;

(d) the wheat processing segment engages in the production and sale of flour products and related businesses;

(e) the biofuel and biochemical segment engages in the production and sale of biofuel and biochemical and related products; and

(f) the corporate and others segment comprises the Group's corporate income and expense items.

Management monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit or loss, which in certain respects is measured differently from operating profit or loss in the consolidated financial statement. Group finance (interest income, finance costs), excess over the cost of business combinations, gain on disposal of available-for-sale investments, gain on partial disposal of a subsidiary and share of profits of associates are managed on a group basis and are not allocated to operating segment.

Segment assets exclude deferred tax assets, tax recoverable, pledged deposits, cash and cash equivalents as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank and other borrowings, tax payable, 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 year, no revenue from transaction with a single external customer amounted to 10% or more of the Group's total revenue.

4. Operating Segment Information (continued)

Year ended 31 December 2009	Oilseeds processing HK$'000	Brewing materials HK$'000	Rice trading and processing HK$'000	Wheat processing HK$'000	Biofuel and biochemical HK$'000	Corporate and others HK$'000	Eliminations HK$'000	Total HK$'000
Segment revenue:								
Sales to external customers	26,811,771	1,497,773	4,106,780	3,660,958	7,750,609	–	–	43,827,891
Intersegment sales	–	–	–	142	21,216	–	(21,358)	–
Other revenue	392,623	21,654	76,175	7,918	808,452	–	(11,066)	1,295,756
Segment results	1,040,070	8,423	337,251	114,486	762,282	(125,073)	–	2,137,439
Interest income								43,613
Excess over the cost of business combinations								37,847
Finance costs								(239,121)
Gain on disposal of available-for-sale investments	–	–	–	–	614	–	–	614
Share of profits of associates	309,138	–	–	4,110	41,920	–	–	355,168
Profit before tax								2,335,560
Income tax expense								(291,980)
Profit for the year								2,043,580
Assets and liabilities								
Segment assets	14,983,805	2,035,199	2,391,299	1,856,793	7,341,159	6,026,459	(6,067,367)	28,567,347
Interests in associates	1,221,663	–	–	45,503	377,558	–	–	1,644,724
Unallocated assets								5,879,543
Total assets								36,091,614
Segment liabilities	4,114,023	814,805	960,198	1,320,067	3,207,575	222,249	(6,067,367)	4,571,550
Unallocated liabilities								13,124,527
Total liabilities								17,696,077
Other segment information:								
Depreciation and amortisation	219,051	75,978	32,474	44,039	329,885	1,888	–	703,315
Impairment losses recognised/ (reversed) in the consolidated income statement	1,202	–	–	(82)	706	–	–	1,826
Capital expenditure	1,317,443	158,123	187,731	88,006	817,523	5,919	–	2,574,745

4. Operating Segment Information (continued)

Year ended 31 December 2008	Oilseeds processing HK$'000	Brewing materials HK$'000	Rice trading and processing HK$'000	Wheat processing HK$'000	Biofuel and biochemical HK$'000	Corporate and others HK$'000	Eliminations HK$'000	Total HK$'000
Segment revenue:								
Sales to external customers	27,539,470	1,806,194	3,382,956	3,248,913	5,824,523	–	–	41,802,056
Intersegment sales	–	–	–	–	6,394	–	(6,394)	–
Other revenue	964,641	39,005	53,443	17,015	692,265	30,460	–	1,796,829
Segment results	3,257,819	199,242	479,992	103,944	555,501	(71,656)	–	4,524,842
Interest income								76,016
Gain on partial disposal of a subsidiary	–	–	–	–	3,368	–	–	3,368
Finance costs								(388,964)
Share of profits of associates	88,221	–	–	2,860	42,322	–	–	133,403
Profit before tax								4,348,665
Income tax expense								(883,516)
Profit for the year								3,465,149
Assets and liabilities								
Segment assets	9,781,598	2,064,560	1,939,085	1,324,630	6,653,074	8,265,811	(8,462,519)	21,566,239
Interests in associates	1,170,978	–	–	61,733	362,984	–	–	1,595,695
Unallocated assets								5,104,594
Total assets								28,266,528
Segment liabilities	4,595,516	1,096,398	1,184,852	1,032,303	2,952,147	2,919,816	(8,462,519)	5,318,513
Unallocated liabilities								7,002,584
Total liabilities								12,321,097
Other segment information:								
Depreciation and amortisation	194,325	53,939	21,031	34,140	230,629	1,438	–	535,502
Impairment losses recognised/ (reversed) in the consolidated income statement	24,080	(432)	488	4,266	(2,651)	–	–	25,751
Capital expenditure	104,686	313,056	69,972	22,498	562,991	328	–	1,073,531

5. Revenue, Other Income and Gains

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

An analysis of other income and gains is as follows:

	2009 HK$'000	2008 HK$'000
Other income		
Agency commission	**4,241**	388,170
Interest income	**43,613**	76,016
Investment income from liquid investments	**–**	29,331
Government grants*	**955,321**	690,999
Compensation income	**58,982**	20,592
Tax refunds	**63,426**	35,098
Others	**23,544**	8,948
	1,149,127	1,249,154
Gains		
Gain on disposal of available-for-sale investments	**614**	–
Gain on partial disposal of a subsidiary	**–**	3,368
Gains on disposal of raw materials, by-products and scrap items	**36,599**	–
Logistic service and storage income	**47,929**	42,191
Fair value gains on foreign currency forward contracts	**1,521**	38,831
Gains on foreign exchange, net	**102,730**	542,669
Excess over the cost of business combinations (note 31)	**37,847**	–
Others	**1,463**	–
	228,703	627,059
	1,377,830	1,876,213

* Various government grants have been received for investments in certain provinces in Mainland China, for the sale of certain government subsidised products, which are available for industries or locations in which the Company's subsidiaries operate. In addition, pursuant to relevant notices issued by the Finance Bureau of the PRC for fuel ethanol producers, Zhaodong Bio-Energy and Guangxi Bio-Energy (as defined in note 37 to the financial statements) are entitled to a financial grant based on the quantity of fuel ethanol produced and sold. An amount of HK$561,784,000 (2008: HK$608,280,000) has been included in the government grants for the year. There are no unfulfilled conditions or contingencies relating to these grants.

6. Profit Before Tax

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

	2009 HK$'000	2008 HK$'000
Cost of inventories sold	**38,647,766**	39,122,436
Write-down/(reversal) of inventories to net realisable value	**(12,338)**	270,319
Realised fair value losses /(gains) of derivative instruments	**1,088,017**	(3,247,626)
Unrealised fair value losses of derivative instruments	**845,010**	497,708
Cost of sales	**40,568,455**	36,642,837
Auditors' remuneration	**5,570**	5,150
Depreciation (note 14)	**677,399**	522,020
Amortisation of intangible assets (note 20)	**822**	1,642
Minimum lease payments under operating leases in respect of land and buildings	**28,049**	25,607
Recognition of prepaid land premiums (note 15)	**25,094**	11,840
Employee benefit expenses (excluding directors' remuneration (note 8)):		
Wages and salaries	**636,498**	597,836
Pension scheme contributions*	**66,446**	43,895
Equity-settled share option expense	**10,641**	13,980
	713,585	655,711
Losses on disposal of items of property, plant and equipment	**11,987**	8,384
Losses/(gains) on disposal of raw materials, by-products and scrap items	**(36,599)**	11,932
Impairment of items of property, plant and equipment (note 14)	**232**	16,222
Impairment/(reversal of impairment) of accounts receivables (note 22)	**(1,463)**	8,561
Impairment of other receivables	**3,057**	968

* At 31 December 2009, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years (2008: Nil).

7. Finance Costs

An analysis of finance costs is as follows:

	2009 HK$'000	2008 HK$'000
Interest on:		
Bank loans wholly repayable within five years	**227,380**	382,601
Loans from a fellow subsidiary	**12,844**	11,400
Total interest expense on financial liabilities not at fair value through profit or loss	**240,224**	394,001
Less: Interest capitalised	**(1,103)**	(8,432)
	239,121	385,569
Other finance costs:		
Fair value loss on foreign currency forward contracts	**–**	3,395
	239,121	388,964

8. Directors' Remuneration

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on the Stock Exchange and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group	
	2009 HK$'000	2008 HK$'000
Fees:		
Independent non-executive directors	**1,410**	920
Executive directors and non-executive directors	**400**	400
	1,810	1,320
Other emoluments:		
Salaries, allowances and benefits in kind	**2,892**	3,312
Discretionary bonuses	**1,928**	2,208
Equity-settled share option expense	**1,898**	2,332
Pension scheme contributions	**86**	72
	6,804	7,924
	8,614	9,244

8. Directors' Remuneration (continued)

In prior years, certain directors were granted share options of the Company in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 29 to the financial statements. The fair value of the share options, which has been recognised in the income statement over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current and prior year is included in the above directors' remuneration disclosures.

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	Group	
	2009	2008
	HK$'000	HK$'000
Mr. Lam Wai Hon, Ambrose	**470**	310
Mr. Victor Yang	**470**	310
Mr. Patrick Vincent Vizzone	**470**	300
	1,410	920

There were no other emoluments payable to the independent non-executive directors during the year (2008: Nil).

8. Directors' Remuneration (continued)

(b) Executive directors and non-executive directors

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Equity-settled share option expense HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2009						
Executive directors:						
Mr. Yu Xubo	**–**	**1,200**	**800**	**341**	**32**	**2,373**
Mr. Lu Jun	**–**	**846**	**564**	**316**	**27**	**1,753**
Mr. Yue Guojun	**–**	**846**	**564**	**316**	**27**	**1,753**
	–	**2,892**	**1,928**	**973**	**86**	**5,879**
Non-executive directors:						
Mr. Ning Gaoning	**200**	**–**	**–**	**341**	**–**	**541**
Mr. Chi Jingtao	**100**	**–**	**–**	**292**	**–**	**392**
Mr. Ma Wangjun	**100**	**–**	**–**	**292**	**–**	**392**
	400	**–**	**–**	**925**	**–**	**1,325**
	400	**2,892**	**1,928**	**1,898**	**86**	**7,204**
2008						
Executive directors:						
Mr. Yu Xubo	–	1,200	800	418	24	2,442
Mr. Lu Jun	–	1,056	704	389	24	2,173
Mr. Yue Guojun	–	1,056	704	389	24	2,173
	–	3,312	2,208	1,196	72	6,788
Non-executive directors:						
Mr. Ning Gaoning	200	–	–	418	–	618
Mr. Chi Jingtao	100	–	–	359	–	459
Mr. Ma Wangjun	100	–	–	359	–	459
	400	–	–	1,136	–	1,536
	400	3,312	2,208	2,332	72	8,324

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2008: Nil).

9. Five Highest Paid Employees

The five highest paid employees during the year included three (2008: three) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining two (2008: two) non-director, highest paid employees for the year are as follows:

	Group	
	2009	2008
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**2,530**	2,118
Discretionary bonuses	**643**	936
Equity-settled share option expense	**423**	628
Pension scheme contributions	**29**	36
	3,625	3,718

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2009	2008
HK$1,000,001 to HK$1,500,000	**1**	–
HK$1,500,001 to HK$2,000,000	**–**	2
HK$2,000,001 to HK$2,500,000	**1**	–
	2	2

In prior years, share options were granted to two non-director, highest paid employees in respect of their service to the Group, further the details of which are included in the disclosures in note 29 to the financial statements. The fair value of the share options, which has been recognised to the income statement over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current and prior year was included in the above non-director, highest paid employees' remuneration disclosures.

10. Income Tax Expense

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	2009 HK$'000	2008 HK$'000
Group:		
Current – Hong Kong		
Charge for the year	**156,927**	178,483
Current – Mainland China		
Charge for the year	**226,222**	649,713
Under-provision in prior years	**8,299**	1,524
Tax rebates and credits	**(43,575)**	(52,674)
Deferred tax (note 27)	**(55,893)**	106,470
Total tax charge for the year	**291,980**	883,516

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e. the statutory tax rates) to the effective tax rates, are as follows:

Group – 2009

	Hong Kong HK$'000	%	Mainland China HK$'000	%	Total HK$'000	%
Profit before tax	1,183,078		1,152,482		2,335,560	
Tax at the statutory tax rate	195,208	16.5	288,120	25.0	483,328	20.7
Lower tax rate for specific provinces or enacted by local authority*	–	–	(19,788)	(1.7)	(19,788)	(0.8)
Profit not subject to tax due to concessions **	–	–	(228,031)	(19.8)	(228,031)	(9.8)
Investment tax credit utilised during the year***	–	–	(7,139)	(0.6)	(7,139)	(0.3)
Profits attributable to associates	(56,593)	(4.8)	(2,436)	(0.2)	(59,029)	(2.5)
Income not subject to tax	(5,921)	(0.5)	(5,871)	(0.5)	(11,792)	(0.5)
Tax expenses on dividend from associate	2,734	0.2	–	–	2,734	0.1
Expenses not deductible for tax	13,283	1.1	21,051	1.8	34,334	1.5
Effect on deferred tax of change in rates	–	–	(12,838)	(1.1)	(12,838)	(0.5)
Effect of withholding tax at 10% on the distribution profit of the Group's PRC subsidiaries	–	–	30,102	2.6	30,102	1.3
Adjustment in respect of current tax of previous periods	–	–	8,299	0.7	8,299	0.4
Tax rebates in respect of current tax of previous period	–	–	(36,436)	(3.2)	(36,436)	(1.6)
Tax losses utilised during the year	–	–	(5,625)	(0.5)	(5,625)	(0.2)
Tax losses not recognised	–	–	113,861	9.9	113,861	4.9
Tax charge at the Group's effective rate	148,711	12.5	143,269	12.4	291,980	12.7

10. Income Tax Expense (continued)

Group – 2008

	Hong Kong HK$'000	%	Mainland China HK$'000	%	Total HK$'000	%
Profit before tax	1,098,890		3,249,775		4,348,665	
Tax at the statutory tax rate	181,317	16.5	811,657	25.0	992,974	22.8
Lower tax rate for specific provinces or enacted by local authority*	–	–	(107,954)	(3.3)	(107,954)	(2.5)
Profit not subject to tax due to concessions**	–	–	(91,323)	(2.8)	(91,323)	(2.1)
Investment tax credit utilised during the year***	–	–	(52,674)	(1.6)	(52,674)	(1.2)
Profits attributable to associates	(6,207)	(0.6)	(15,938)	(0.5)	(22,145)	(0.5)
Income not subject to tax	(9,600)	(0.9)	(7,172)	(0.2)	(16,772)	(0.3)
Expenses not deductible for tax	12,973	1.2	39,874	1.2	52,847	1.2
Effect on deferred tax of change in rates	–	–	1,323	–	1,323	–
Effect of withholding tax at 10% on the distribution profit of the Group's PRC subsidiaries	–	–	125,145	3.9	125,145	2.9
Adjustment in respect of current tax of previous periods	–	–	1,524	–	1,524	–
Tax losses utilised from previous periods	–	–	(600)	–	(600)	–
Tax losses not recognised	–	–	1,171	–	1,171	–
Tax charge at the Group's effective rate	178,483	16.2	705,033	21.7	883,516	20.3

* PRC corporate income tax ("CIT") represents tax charged on the estimated assessable profits arising in the 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 operating in specific development zones in Mainland China, and the relevant authorities have granted these subsidiaries preferential CIT rates ranging from 15% to 20%.

** In addition to preferential CIT rates granted to the Group's certain subsidiaries in Mainland China, tax holidays were also granted by the relevant authorities to these subsidiaries, where CIT is exempted for the first two profitable years of the subsidiaries 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 simple processing of agricultural products.

*** Investment tax credit relating to direct investment in domestically manufactured property, plant and equipment was granted to the Group's certain subsidiaries in Mainland China. The directors are of the opinion that the Group will comply with all the conditions that attached to the investment tax credit.

The share of tax attributable to associates amounting to HK$33,345,000 (2008: HK$23,301,000) is included in "Share of profits of associates" in the consolidated income statement.

11. Profit Attributable to Owners of the Company

The consolidated profit attributable to owners of the Company for the year ended 31 December 2009 includes a loss of HK$64,147,000 (2008: HK$19,255,000) which has been dealt with in the financial statements of the Company.

12. Dividend

	2009 HK$'000	2008 HK$'000
Interim – HK6.7 cents (2008: Nil) per ordinary share	**258,455**	–
Proposed final – HK5.9 cents (2008: HK13.6 cents) per ordinary share	**227,657**	524,624
	486,112	524,624

The amount of recommended final dividend per ordinary share for 2009 is calculated based on the number of 3,858,584,839 issued ordinary shares as at 31 December 2009.

The amount of final dividend per ordinary share for 2008 is calculated based on the number of 3,593,906,356 issued ordinary shares as at 31 December 2008 and the 263,626,483 ordinary shares issued at the end of April 2009 for the purpose of the acquisition of subsidiaries as mentioned in note 28.

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

13. Earnings Per Share Attributable to Ordinary Equity Holders of the Company

The calculation of basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the Company of HK$1,952,042,000 (2008: HK$2,624,937,000), and the weighted average number of 3,773,087,391 ordinary shares (2008: 3,593,906,356 ordinary shares) in issue during the year.

The calculation of diluted earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the Company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares, calculated as follows:

Weighted average number of ordinary shares:

	Number of shares 2009	2008
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share	**3,773,087,391**	3,593,906,356
Weighted average number of ordinary shares:*		
Assumed issued at no consideration on deemed exercise of all share options outstanding during the year	**2,174,406**	–
Weighted average number of ordinary shares used in the diluted earnings per share calculation	**3,775,261,797**	3,593,906,356

* Diluted earnings per share amount for the year ended 31 December 2008 has not been disclosed as there was an anti-dilutive effect.

14. Property, Plant and Equipment

Group

	Buildings HK$'000	Plant, machinery and equipment HK$'000	Construction in progress HK$'000	Total HK$'000
31 December 2009				
At 31 December 2008 and at 1 January 2009:				
Cost	4,384,903	6,606,760	198,747	11,190,410
Accumulated depreciation and impairment	(674,888)	(2,249,464)	–	(2,924,352)
Net carrying amount	3,710,015	4,357,296	198,747	8,266,058
At 1 January 2009, net of accumulated depreciation and impairment	3,710,015	4,357,296	198,747	8,266,058
Additions	205,771	137,693	799,035	1,142,499
Acquisition of subsidiaries (note 31)	332,684	447,627	64,838	845,149
Impairment (note 6)	–	–	(232)	(232)
Disposals	(4,912)	(12,683)	–	(17,595)
Depreciation provided during the year (note 6)	(203,715)	(473,684)	–	(677,399)
Transfers	155,850	114,622	(270,472)	–
Exchange realignment	6,067	6,812	744	13,623
At 31 December 2009, net of accumulated depreciation and impairment	4,201,760	4,577,683	792,660	9,572,103
At 31 December 2009:				
Cost	5,062,011	7,268,425	792,893	13,123,329
Accumulated depreciation and impairment	(860,251)	(2,690,742)	(233)	(3,551,226)
Net carrying amount	4,201,760	4,577,683	792,660	9,572,103

14. Property, Plant and Equipment (continued)

Group

	Buildings HK$'000	Plant, machinery and equipment HK$'000	Construction in progress HK$'000	Total HK$'000
31 December 2008				
At 31 December 2007 and at 1 January 2008:				
Cost	3,307,572	5,402,386	974,901	9,684,859
Accumulated depreciation and impairment	(522,752)	(1,788,320)	–	(2,311,072)
Net carrying amount	2,784,820	3,614,066	974,901	7,373,787
At 1 January 2008, net of accumulated depreciation and impairment	2,784,820	3,614,066	974,901	7,373,787
Additions	10,852	135,456	847,658	993,966
Acquisition of a subsidiary (note 31)	1,791	6,432	4	8,227
Impairment (note 6)	(8,247)	(7,975)	–	(16,222)
Disposals	(4,885)	(35,381)	–	(40,266)
Depreciation provided during the year (note 6)	(109,132)	(412,888)	–	(522,020)
Transfers	840,097	818,852	(1,658,949)	–
Exchange realignment	194,719	238,734	35,133	468,586
At 31 December 2008, net of accumulated depreciation and impairment	3,710,015	4,357,296	198,747	8,266,058
At 31 December 2008:				
Cost	4,384,903	6,606,760	198,747	11,190,410
Accumulated depreciation and impairment	(674,888)	(2,249,464)	–	(2,924,352)
Net carrying amount	3,710,015	4,357,296	198,747	8,266,058

14. Property, Plant and Equipment (continued)

Company

	Plant, machinery and equipment HK$'000
31 December 2009	
At 31 December 2008 and at 1 January 2009:	
Cost	**2,898**
Accumulated depreciation	**(1,325)**
Net carrying amount	**1,573**
At 1 January 2009, net of accumulated depreciation	**1,573**
Depreciation provided during the year	**(1,325)**
At 31 December 2009, net of accumulated depreciation	**248**
At 31 December 2009:	
Cost	**2,898**
Accumulated depreciation	**(2,650)**
Net carrying amount	**248**
31 December 2008	
At 31 December 2007 and at 1 January 2008:	
Cost	2,753
Accumulated depreciation	–
Net carrying amount	2,753
At 1 January 2008, net of accumulated depreciation	2,753
Additions	145
Depreciation provided during the year	(1,325)
At 31 December 2008, net of accumulated depreciation	1,573
At 31 December 2008:	
Cost	2,898
Accumulated depreciation	(1,325)
Net carrying amount	1,573

14. Property, Plant and Equipment (continued)

All of the Group's buildings are held under medium term leases in Mainland China.

As at 31 December 2009, certain of the Group's property, plant and equipment with a net book value of approximately HK$260,145,000 (2008: HK$1,231,893,000) were pledged to secure banking facilities granted to the Group (note 26).

As at 31 December 2009, certificates of ownership in respect of certain buildings of the Group in Mainland China with an aggregate net book value of approximately HK$515,329,000 (2008: HK$622,384,000) had not been issued by the relevant PRC authorities. The directors anticipate that these certificates will be issued in the near future.

For the year ended 31 December 2008, an impairment loss was recognised in the income statement in respect of certain items of property, plant and equipment as a result of the dismantlement of an old factory. The recoverable amounts were based on those items' selling prices less costs to sell.

15. Prepaid Land Premiums

	Group	
	2009	2008
	HK$'000	HK$'000
Carrying amount at 1 January	**506,787**	443,400
Additions	**441,353**	47,887
Acquisition of subsidiaries (note 31)	**137,340**	–
Recognised during the year (note 6)	**(25,094)**	(11,840)
Exchange realignment	**1,189**	27,340
Carrying amount at 31 December	**1,061,575**	506,787
Current portion included in prepayments, deposits and other receivables	**(23,310)**	(12,085)
Non-current portion	**1,038,265**	494,702

The leasehold land is held under medium term leases in Mainland China.

As at 31 December 2009, certain land use rights of the Group with a net book value of Nil (2008: HK$67,902,000) were pledged to secure bank loans granted to the Group (note 26).

As at 31 December 2009, certificates of land use rights in respect of certain land of the Group in Mainland China with an aggregate net book value of HK$64,323,000 (2008: HK$23,263,000) had not been issued by the relevant PRC authorities. The directors anticipate that these certificates will be issued in the near future.

16. Goodwill

	Group	
	2009	2008
	HK$'000	HK$'000
Cost and carrying amount at 1 January	**644,631**	620,443
Acquisition of subsidiaries (note 31)	**376,004**	1,070
Exchange realignment	**–**	23,118
Cost and carrying amount at 31 December	**1,020,635**	644,631

Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to the following cash-generating units, which are reportable segments, for impairment testing:

- Oilseeds processing cash-generating unit;
- Rice trading and processing cash-generating unit; and
- Biofuel and biochemical cash-generating unit.

The recoverable amount of the oilseeds processing cash-generating unit is determined based on a value in use calculation using a cash flow projection based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projection is 12% and cash flows beyond the five-year period are extrapolated using a negative growth rate of 2% in perpetuity because of the long-term perspective within the Group of the business unit.

The recoverable amount of the rice trading and processing cash-generating unit is determined based on a value in use calculation using a cash flow projection based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projection is 11% and cash flows beyond the five-year period are extrapolated using a zero growth rate in perpetuity because of the long-term perspective within the Group of the business unit.

The recoverable amount of the biofuel and biochemical cash-generating unit is determined based on a value in use calculation using a cash flow projection based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projection is 12% and cash flows beyond the five-year period are extrapolated using a negative growth rate of 2% in perpetuity because of the long-term perspective within the Group of the business unit.

16. Goodwill (continued)

Impairment testing of goodwill (continued)

The carrying amounts of goodwill allocated to each of the cash-generating units are as follows:

	2009 **HK$'000**	2008 HK$'000
Oilseeds processing	**476,817**	116,124
Rice trading and processing	**128,118**	128,118
Biofuel and biochemical	**412,517**	397,206
Others	**3,183**	3,183
	1,020,635	644,631

Key assumptions were used in the value in use calculation of each of the cash-generating units for 31 December 2009 and 31 December 2008. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill.

Budgeted gross margins – The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, increased for expected efficiency improvements and expected market development.

Discount rates – The discount rates used are before tax and reflect specific risks relating to the relevant units.

Raw materials price inflation – The basis used to determine the value assigned to raw materials price inflation is the forecast price indices during the budget year for countries from where raw materials are sourced.

The values assigned to key assumptions are consistent with external information sources.

17. Interests in Subsidiaries

	Company 2009 HK$'000	2008 HK$'000
Unlisted shares, at cost	**6,099,967**	6,060,967
Loans to subsidiaries (note 39)	**2,891,421**	1,252,116
	8,991,388	7,313,083

The loans to subsidiaries included in the interests in subsidiaries above are unsecured, interest-free and the Company does not expect to be repaid within the next 12 months. In the opinion of the Company's directors, these loans are considered as quasi-equity loans to the subsidiaries. The carrying amounts of these loans approximate to their fair values.

Except for the following, the amounts due from subsidiaries included in the Company's current assets are unsecured, interest-free and have no fixed term of repayment:

(1) amounts due from subsidiaries of HK$719,000,000 (2008: HK$680,000,000), which are financing in nature and repayable within one year;

(2) there is no balance in current year (2008: HK$800,000,000), which is dividend receivable and repayable within one year.

The amounts due to subsidiaries for 31 December 2008 included in the Company's current liabilities are unsecured, interest-free and repayable on demand.

Particulars of the Company's principal subsidiaries as at 31 December 2009 are set out in note 37 to the financial statements.

18. Interests in Associates

	Group 2009 HK$'000	2008 HK$'000
Share of net assets	**1,463,457**	1,394,086
Goodwill on acquisition	**28,356**	28,356
	1,491,813	1,422,442
Loans to associates (note 39)	**152,911**	173,253
	1,644,724	1,595,695

The loans to associates are capital in nature. The balances are unsecured, interest-free and the Company does not expect to be repaid within the next 12 months. The carrying amounts of these loans approximate to their fair values.

The balances with associates included in current assets and current liabilities are unsecured, interest-free and repayable within one year.

Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to the following cash-generating units, which are reportable segments, for impairment testing:

- Oilseeds processing cash-generating unit; and
- Biofuel and biochemical cash-generating unit.

The carrying amounts of goodwill allocated to each of the cash-generating units are as follows:

	2009 HK$'000	2008 HK$'000
Oilseeds processing	**16,642**	16,642
Biofuel and biochemical	**11,714**	11,714
	28,356	28,356

Details of the basis of determination of recoverable amounts and assumptions used in the value in use calculation for the above cash-generating units are set out in note 16 to the financial statements.

18. Interests in Associates (continued)

The following table illustrates the summarised financial information of the Group's associates extracted from their financial statements, or where appropriate, management accounts:

	2009 HK$'000	2008 HK$'000
Assets	**16,116,024**	8,582,071
Liabilities	**11,592,448**	4,081,072
Revenue	**18,766,950**	20,818,552
Profit	**1,060,155**	393,518

Particulars of the Group' principal associates as at 31 December 2009 are set out in note 38 to the financial statements.

19. Available-for-sale Investments

	Group	
	2009 HK$'000	2008 HK$'000
Unlisted equity investments outside Hong Kong, at cost	**2,728**	9,621

The above available-for-sale investments are stated at cost less any impairment because the directors are of the opinion that their fair values cannot be measured reliably.

20. Intangible Assets

	Group		
	Golf club membership HK$'000	Others HK$'000	Total HK$'000
31 December 2009			
Cost at 1 January 2009, net of accumulated amortisation	**12,245**	**16,244**	**28,489**
Additions	**1,824**	**–**	**1,824**
Acquisition of subsidiaries (note 31)	**–**	**6,580**	**6,580**
Amortisation provided during the year (note 6)	**–**	**(822)**	**(822)**
Exchange realignment	**20**	**43**	**63**
At 31 December 2009	**14,089**	**22,045**	**36,134**
At 31 December 2009:			
Cost	**14,089**	**25,130**	**39,219**
Accumulated amortisation	**–**	**(3,085)**	**(3,085)**
Net carrying amount	**14,089**	**22,045**	**36,134**
31 December 2008			
Cost at 1 January 2008, net of accumulated amortisation	5,639	–	5,639
Additions	6,069	17,382	23,451
Amortisation provided during the year (note 6)	–	(1,642)	(1,642)
Exchange realignment	537	504	1,041
At 31 December 2008	12,245	16,244	28,489
At 31 December 2008:			
Cost	12,245	17,886	30,131
Accumulated amortisation	–	(1,642)	(1,642)
Net carrying amount	12,245	16,244	28,489

21. Inventories

	Group 2009 HK$'000	2008 HK$'000
Raw materials	**4,760,553**	3,441,674
Work in progress	**186,917**	149,967
Finished goods	**2,083,755**	1,657,037
	7,031,225	5,248,678

As at 31 December 2009, certain of the Group's inventories with a net book value of HK$131,562,000 (2008: Nil) were pledged to secure bank loans granted to the Group (note 26).

22. Accounts and Bills Receivables

	Group 2009 HK$'000	2008 HK$'000
Accounts and bills receivables	**1,935,834**	1,867,366
Impairment	**(14,361)**	(13,806)
	1,921,473	1,853,560

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 90 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 senior management. In view of the aforementioned and the fact that the Group's accounts receivable relate to a large number of diversified customers, there is no significant concentration of credit risk. Accounts and bills receivables are non-interest-bearing and are normally settled within one to three months, and one to six months, respectively.

22. Accounts and Bills Receivables (continued)

An aged analysis of the accounts and bills receivables at the end of the reporting period, based on the invoice date and bill issued date and net of impairment, is as follows:

	Group 2009 HK$'000	Group 2008 HK$'000
Outstanding balances with ages:		
Within 3 months	**1,680,066**	1,572,818
3 to 12 months	**240,535**	280,618
1 to 2 years	**851**	124
2 to 3 years	**21**	–
	1,921,473	1,853,560

The movements in the provision for impairment of accounts receivable are as follows:

	Group 2009 HK$'000	Group 2008 HK$'000
At 1 January	**13,806**	5,616
Acquisition of subsidiaries	**2,331**	–
Impairment losses recognised/(reversed) (note 6)	**(1,463)**	8,561
Amount written off as uncollectible	**(336)**	(942)
Exchange realignment	**23**	571
At 31 December	**14,361**	13,806

The individually impaired accounts receivable relate to customers that were in financial difficulties and only a portion of the receivables is expected to be recovered. The Group does not hold any collateral or other credit enhancements over these balances.

22. Accounts and Bills Receivables (continued)

The aged analysis of the accounts and bills receivables that are not considered to be impaired is as follows:

	Group	
	2009	2008
	HK$'000	HK$'000
Outstanding balances with ages:		
Neither past due nor impaired	**1,633,351**	1,826,919
Less than 1 month past due	**34,293**	8,839
1 to 3 months past due	**210,333**	17,678
More than 3 months but less than 12 months past due	**40,985**	124
More than 1 year past due	**2,511**	–
	1,921,473	1,853,560

Receivables that were neither past due nor impaired relate to bills receivable and a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

23. Derivative Financial Instruments

	Group		Group	
	2009		2008	
	Assets	**Liabilities**	Assets	Liabilities
	HK$'000	**HK$'000**	HK$'000	HK$'000
Commodity future contracts	**9,335**	**855,024**	575	500,217
Foreign currency forward contracts	**876**	**222**	372	6,717
	10,211	**855,246**	947	506,934

The Group has entered into various commodity future contracts to manage its price exposures in future purchases or sales of soybean, soybean meal, barley and corn. The Group does not adopt hedge accounting. Net fair value loss on derivative financial instruments of HK$1,933,027,000 (2008: net gain of HK$2,749,918,000) was charged/credited to the income statement during the year.

In addition, the Group has entered into various foreign currency forward contracts to manage its exchange rate exposures. Net fair value gain of such currency derivatives amounting to HK$1,521,000 (2008: net gains of HK$35,436,000) was credited to the income statement during the year.

24. Cash and Cash Equivalents and Pledged Deposits

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**5,021,509**	3,728,613	**1,008,973**	63,198
Time deposits	**517,555**	1,229,339	**39,015**	1,066,806
	5,539,064	4,957,952	**1,047,988**	1,130,004
Less: Pledged deposits:				
Pledged for bank credit facilities	**(23,784)**	(63,517)	**–**	–
Cash and cash equivalents	**5,515,280**	4,894,435	**1,047,988**	1,130,004

At the end of reporting period, the cash and cash equivalents and pledged deposits of the Group denominated in Renminbi ("RMB") amounted to approximately HK$3,561,875,000 (2008: HK$3,292,374,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

25. Accounts and Bills Payables

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

	Group	
	2009	2008
	HK$'000	HK$'000
Outstanding balances with ages:		
Within 3 months	**1,061,408**	2,022,663
3 to 12 months	**201,031**	44,374
1 to 2 years	**6,850**	3,139
Over 2 years	**1,695**	1,478
	1,270,984	2,071,654

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

26. Interest-Bearing Bank and Other Borrowings

Group

	2009			2008		
	Effective interest rate (%)	**Maturity**	**HK$'000**	Effective interest rate (%)	Maturity	HK$'000
Current						
Bank loans – secured	**0.62–6.93**	**2010**	**374,235**	1.97–5.81	2009	705,886
Bank loans – unsecured	**0.48–5.31**	**2010**	**10,997,911**	1.51–7.98	2009	4,202,246
Other loans – unsecured	**4.37**	**2010**	**340,715**	LIBOR + 1.08	2009	312,000
			11,712,861			5,220,132
Non-current						
Bank loans – unsecured	**BLR -10%**	**2011–2012**	**1,116,411**	BLR -10%	2011–2012	1,155,922
			1,116,411			1,155,922
			12,829,272			6,376,054

	2009 HK$'000	2008 HK$'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**11,372,146**	4,908,132
In the second year	**855,196**	–
In the third to fifth years, inclusive	**261,215**	1,155,922
	12,488,557	6,064,054
Other loans repayable: #		
Within one year or on demand	**340,715**	312,000
	12,829,272	6,376,054

(a) Certain of the Group's bank loans are secured by:

(i) certain property, plant and equipment of the Group with a net book value of approximately HK$260,145,000 (2008: HK$1,231,893,000) (note 14);

(ii) certain land use rights of the Group with a net book value of Nil (2008: HK$67,902,000) (note 15);

(iii) certain inventories of the Group with a net book value of HK$131,562,000 (2008: Nil) (note 21).

26. Interest-Bearing Bank and Other Borrowings (continued)

(b) Except for bank and other borrowings of HK$8,558,194,000 (2008: HK$3,575,068,000) which are denominated in United States dollars, all borrowings are in RMB.

The other loans represented loans due to a fellow subsidiary.

The carrying amounts of the Group's bank and other borrowings approximate to their fair values.

27. Deferred Tax

The movements in deferred tax assets and liabilities during the year are as follows:

Deferred tax assets

Group

	Provision against inventories HK$'000	Impairment of receivables HK$'000	Unrealised loss on derivative financial instruments HK$'000	Others HK$'000	Total HK$'000
At 1 January 2008	884	3,282	74,308	26,672	105,146
Deferred tax credited/(charged) to the income statement during the year (note 10)	47,472	1,075	(61,214)	26,149	13,482
Exchange realignment	1,525	236	2,697	2,458	6,916
At 31 December 2008 and at 1 January 2009	49,881	4,593	15,791	55,279	125,544
Deferred tax credited/(charged) to the income statement during the year (note 10)	**(49,763)**	**(477)**	**115,448**	**4,834**	**70,042**
Acquisition of subsidiaries (note 31)	**655**	**1,988**	**8,060**	**15,979**	**26,682**
Exchange realignment	**40**	**7**	**118**	**(261)**	**(96)**
Gross deferred tax assets at 31 December 2009	**813**	**6,111**	**139,417**	**75,831**	**222,172**

27. Deferred Tax (continued)

Deferred tax liabilities

Group

	Accelerated tax depreciation HK$'000	Deferred income HK$'000	Unrealised gain on derivative financial instruments HK$'000	Withholding tax HK$'000	Others HK$'000	Total HK$'000
At 1 January 2008	11,714	7,541	2,134	–	–	21,389
Deferred tax (credited)/charged to the income statement during the year (note 10)	(3,458)	5,553	(1,967)	119,786	38	119,952
Exchange realignment	618	639	71	–	–	1,328
At 31 December 2008 and at 1 January 2009	8,874	13,733	238	119,786	38	142,669
Acquisition of subsidiaries (note 31)	**–**	**–**	**–**	**–**	**39,887**	**39,887**
Deferred tax (credited)/charged to the income statement during the year (note 10)	**(3,522)**	**4,498**	**(34)**	**23,449**	**(10,242)**	**14,149**
Exchange realignment	**11**	**26**	**–**	**–**	**–**	**37**
Gross deferred tax liabilities at 31 December 2009	**5,363**	**18,257**	**204**	**143,235**	**29,683**	**196,742**

27. Deferred Tax (continued)

Deferred tax liabilities (continued)

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2009 **HK$'000**	2008 HK$'000
Net deferred tax assets recognised in the consolidated statement of financial position	**222,172**	122,851
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(196,742)**	(139,976)
	25,430	(17,125)

The Group has tax losses arising in Mainland China of HK$531,849,000 (2008: HK$57,223,000) that are available for offsetting against future taxable profits for a maximum period of five years of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable to withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

28. Share Capital

Shares

	2009 HK$'000	2008 HK$'000
Authorised:		
4,000,000,000 ordinary shares of HK$0.1 each	**400,000**	400,000
Issued and fully paid:		
3,858,584,839 (31 December 2008: 3,593,906,356) ordinary shares of HK$0.1 each	**385,858**	359,391

The following changes in the Company's issued share capital took place during current and prior year:

	Notes	Number of ordinary shares	Nominal value of ordinary shares HK$'000
Issued:			
At 1 January 2008 and 2009		3,593,906,356	359,391
Issue on acquisition of subsidiaries	(i)	263,626,483	26,362
Share options exercised	(ii)	1,052,000	105
As at 31 December 2009		3,858,584,839	385,858

Notes:

(i) Details of the Company's acquisition of subsidiaries are included in note 31 to the financial statement. The acquisition was completed on 28 April 2009, in consideration for the issue of 263,626,483 shares, at price of HK$3.69 per share to COFCO (HK) pursuant to share purchase agreements. The fair value of the share at the issue date is HK$3.91 per share.

(ii) The subscription rights attaching to 1,052,000 share options were exercised at the subscription price of HK$4.666 per share (note 29), resulting in the issue of 1,052,000 shares of HK$0.1 each for a total cash consideration, before issue expenses, of HK$4,908,632.

Share options

Details of the Company's share option scheme are included in note 29 to the financial statements.

29. 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 (the "Board") 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.

The exercise price of share options is determinable by the Board, 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; and (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer; or the nominal value of a share.

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

On 7 August 2007, a total of 27,600,000 share options were granted to certain directors and employees of the Group in respect of their services to the Group in the forthcoming year. These share options vested in a period from 7 August 2007 to 6 August 2011 and had an exercise price of HK$4.666 per share and an exercise period from 7 August 2009 to 6 August 2014. The price of the Company's shares at the date of grant was HK$4.50 per share.

29. Share Option Scheme (continued)

The following share options were outstanding under the Scheme during the year:

	2009 Weighted average exercise price HK$ per share	**2009** Number of options '000	2008 Weighted average exercise price HK$ per share	2008 Number of options '000
At 1 January	**4.666**	**27,370**	4.666	27,600
Forfeited during the year	**4.666**	**(474)**	4.666	(230)
Exercised during the year	**4.666**	**(1,052)**	–	–
At 31 December	**4.666**	**25,844**	4.666	27,370

The vesting periods, exercise price and exercise periods of the share options outstanding as at end of the reporting period are as follows:

2009 Number of options granted to Directors '000	**2009** Number of options granted to Employees '000	**Total '000**	**Vesting period**	**Exercise price per share HK$**	**Exercise period**
1,157	**6,731**	**7,888**	**7-8-2007 to 6-8-2009**	**4.666**	**7-8-2009 to 6-8-2014**
1,326	**7,788**	**9,114**	**7-8-2007 to 6-8-2010**	**4.666**	**7-8-2010 to 6-8-2014**
1,287	**7,555**	**8,842**	**7-8-2007 to 6-8-2011**	**4.666**	**7-8-2011 to 6-8-2014**
3,770	**22,074**	**25,844**			

2008 Number of options granted to Directors '000	2008 Number of options granted to Employees '000	Total '000	Vesting period	Exercise price per share HK$	Exercise period
1,287	7,745	9,032	7-8-2007 to 6-8-2009	4.666	7-8-2009 to 6-8-2014
1,326	7,980	9,306	7-8-2007 to 6-8-2010	4.666	7-8-2010 to 6-8-2014
1,287	7,745	9,032	7-8-2007 to 6-8-2011	4.666	7-8-2011 to 6-8-2014
3,900	23,470	27,370			

The fair value of the share options granted during the year ended 31 December 2007 was approximately HK$45,700,000 (HK$1.656 each) of which the Company recognised a share option expense of HK$12,539,000 during the year ended 31 December 2009 (2008: HK$16,312,000).

29. Share Option Scheme (continued)

The fair value of equity-settled share options granted during the year ended 31 December 2007 was estimated as at the date of grant, using the Black-Scholes-Merton option pricing model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

Dividend yield (%)	1
Expected volatility (%)	42.95
Historical volatility (%)	42.95
Risk-free interest rate (%)	4.369
Expected life of options (year)	5
Weighted average share price (HK$ per share)	4.350

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 25,844,000 (2008: 27,370,000) share options outstanding under the Scheme. The options outstanding at end of the reporting period had a remaining contractual life of 4.59 years (2008: 5.59 years). The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 25,844,000 (2008: 27,370,000) additional ordinary shares of the Company and additional share capital of HK$2,584,400 (2008: HK$2,737,000) and share premium of HK$118,003,704 (2008: HK$124,971,420) (before issue expenses).

At the date of the approval of these financial statements, the shares issuable from the above outstanding share options represented approximately 0.67% of the Company's shares in issue as at that date.

30. Reserves

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

The Group's capital reserve represents the excess of the nominal value of the shares/capital and the share premium account of the subsidiaries acquired pursuant to the Group reorganisation prior to the listing of the Company's shares on 21 March 2007 over the nominal value of the Company's shares issued in exchange therefor.

30. Reserves (continued)

(a) Group (continued)

Pursuant to the relevant laws and regulations for Sino-foreign joint venture enterprises, a portion of the profits of the Group's subsidiaries and associates which are registered in the PRC has been transferred to reserve funds which are restricted as to use.

(b) Company

	Notes	Share premium HK$'000	Capital reserve HK$'000	Employee share-based compensation reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 31 December 2007 and at 1 January 2008		2,746,299	5,689,788	6,647	162,442	8,605,176
Equity-settled share option arrangements	29	–	–	16,312	–	16,312
Total comprehensive income for the year		–	–	–	1,282,939	1,282,939
Proposed final 2008 dividend	12	–	–	–	(524,624)	(524,624)
At 31 December 2008 and at 1 January 2009		**2,746,299**	**5,689,788**	**22,959**	**920,757**	**9,379,803**
Issue of new shares for acquisition of subsidiaries	28	**1,004,417**	**–**	**–**	**–**	**1,004,417**
Exercise of share options	28	**6,545**	**–**	**(1,742)**	**–**	**4,803**
Share issue expenses		**(34)**	**–**	**–**	**–**	**(34)**
Equity-settled share option arrangements	29	**–**	**–**	**13,325**	**–**	**13,325**
Release upon forfeited share options	29	**–**	**–**	**(786)**	**–**	**(786)**
Total comprehensive income for the year		**–**	**–**	**–**	**252,553**	**252,553**
2009 interim dividend	12	**–**	**–**	**–**	**(258,455)**	**(258,455)**
Proposed final 2009 dividend	12	**–**	**–**	**–**	**(227,657)**	**(227,657)**
At 31 December 2009		**3,757,227**	**5,689,788**	**33,756**	**687,198**	**10,167,969**

The Company's capital reserve represents the excess of carrying amount of China Agri-Industries Limited acquired pursuant to the Group reorganisation prior to the listing of the Company's shares on 21 March 2007 over the nominal value of the Company's shares issued in exchange therefor.

30. Reserves (continued)

(b) Company (continued)

The employee share-based compensation reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payment transactions in note 2.4 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited.

31. Business Combinations

Business combinations for the year ended 31 December 2009

(a) On 17 April 2009, the Group acquired the 100% equity interest in Guangxi China Resources Hongshui River Pier Storage Co., Limited, which subsequently changed its name to COFCO Qinzhou (as defined in note 37 to the financial statements), from independent third parties at a purchase consideration of HK$90,783,000. COFCO Qinzhou is currently under construction and will be engaged in production and sale of edible oil.

(b) On 17 February 2009, the Company entered into four share purchase agreements with COFCO HK ("Share Purchase Agreements"), pursuant to which the Company agreed to purchase all issued share capital of Kindgain Limited ("Kindgain"), Uptech Investments Limited ("Uptech"), Cheerlink International Limited ("Cheerlink") and Parkwing Limited ("Parkwing") ("the Acquisition").

Kindgain, Uptech and Parkwing held 100% equity interests in COFCO Dongguan, COFCO Feixian and Jilin Packaging (as defined in note 37 to the financial statements), respectively, while Cheerlink held a 57.136% equity interest in Yellow Dragon (as defined in note 37 to the financial statements).

The Acquisition was completed on 28 April 2009, in consideration for the issue of 263,626,483 ordinary share of the Company of HK$0.10 each, at a price of HK$3.69 per share to COFCO HK pursuant to Share Purchase Agreements. The fair value of the share at the issue date is HK$3.91 per share.

COFCO Dongguan and COFCO Feixian are principally engaged in the oilseeds processing business, mainly the production and sale of soybean oil and related products, and the production and sale of peanut oil and related products, respectively. Jilin Packaging is principally engaged in the production and sale of packaging materials, and mainly supplies to Yellow Dragon and the Group. Yellow Dragon is principally engaged in the corn processing business, mainly the production and sale of starch and related biochemical products.

(c) On 30 September 2009, the Group acquired the 100% equity interest in COFCO Rongs (as defined in note 37 to the financial statements) from an independent third party at a purchase consideration of HK$94,223,000.

31. Business Combinations *(continued)*

Business combinations for the year ended 31 December 2009 ***(continued)***

The fair values of the identifiable assets and liabilities of COFCO Dongguan, COFCO Qinzhou and COFCO Rongs as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were as follows:

	Fair value recognised on acquisition HK$'000	Carrying amount HK$'000
Property, plant and equipment (note 14)	420,681	426,705
Prepaid land premiums (note 15)	57,281	28,849
Intangible assets (note 20)	6,580	22,462
Deferred tax assets (note 27)	23,958	21,700
Inventories	184,991	178,810
Accounts and bills receivables	62,120	62,120
Prepayments, deposits and other receivables	140,926	141,495
Due from fellow subsidiaries	199,217	199,217
Due from associates	24,523	24,523
Pledged deposits	21,073	21,073
Cash and cash equivalents	127,501	127,501
Accounts and bills payables	(336,443)	(336,443)
Other payables and accruals	(145,891)	(145,891)
Derivative financial instruments	(32,240)	(32,240)
Interest-bearing bank and other borrowings	(208,945)	(208,945)
Due to fellow subsidiaries	(82,218)	(82,218)
Tax payable	(19,170)	(19,170)
Deferred tax liabilities (note 27)	(6,802)	–
	437,142	429,548
Goodwill on acquisition (note 16)	376,004	
	813,146	
Satisfied by:		
Cash	185,006	
Issue of shares	628,140	
	813,146	

31. Business Combinations (continued)

Business combinations for the year ended 31 December 2009 (continued)

The fair values of the identifiable assets and liabilities of COFCO Feixian, Jilin Packaging and Yellow Dragon as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were as follows:

	Fair value recognised on acquisition HK$'000	Carrying amount HK$'000
Property, plant and equipment (note 14)	424,468	358,422
Prepaid land premiums (note 15)	80,059	33,744
Deferred tax assets (note 27)	2,724	2,724
Inventories	521,847	500,996
Accounts and bills receivables	109,757	109,757
Prepayments, deposits and other receivables	60,864	61,732
Due from fellow subsidiaries	14,241	14,241
Due from associates	9,211	9,211
Tax recoverable	5,611	5,611
Cash and cash equivalents	108,167	108,167
Accounts and bills payable	(20,097)	(20,097)
Other payables and accruals	(141,540)	(141,540)
Deferred income	(1,149)	(1,149)
Interest-bearing bank and other borrowings	(57,916)	(57,916)
Due to fellow subsidiaries	(386,692)	(386,692)
Due to minority shareholders of subsidiaries	(40,178)	(40,178)
Tax payable	(53)	(53)
Deferred tax liabilities (note 27)	(33,085)	–
	656,239	556,980
Minority interests	(208,855)	
Excess over the cost of a business combinations (note 5)	(37,847)	
	409,537	
Satisfied by:		
Issue of shares	402,639	
Available-for-sale investments	6,898	
	409,537	

31. Business Combinations (continued)

Business combinations for the year ended 31 December 2009 (continued)

An analysis of the net inflow of cash and cash equivalents in respect of the acquisition of these subsidiaries is as follows:

	31 December 2009 HK$'000
Cash consideration	**(185,006)**
Cash and cash equivalents acquired	**235,668**
Net inflow of cash and cash equivalents in respect of the acquisition of the subsidiaries	**50,662**

During the current year, these subsidiaries generated revenue and net profit of HK$5,757,799,000 and HK$92,519,000, respectively. Since the acquisition date, these subsidiaries contributed HK$3,798,894,000 to the Group's revenue and HK$57,032,000 to the Group's consolidated profit for the period.

Business combinations for the year ended 31 December 2008

On 11 March 2008, the date of acquisition, the Group acquired a 100% interest in Dalian BaiNong Rice Processing Limited, which subsequently changed its name to COFCO Dalian Rice Processing Limited, from independent third parties. COFCO Dalian Rice Processing Limited is engaged in the processing and sale of rice business.

The fair values of the identifiable assets and liabilities of COFCO Dalian Rice Processing Limited as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were as follows:

	Fair value recognised on acquisition HK$'000	Carrying amount HK$'000
Property, plant and equipment (note 14)	8,227	7,534
Inventories	31,763	31,763
Accounts and bills receivables	11,622	11,622
Prepayments, deposits and other receivables	311	311
Cash and cash equivalents	6,345	6,345
Accounts payable	(33,353)	(33,353)
Other payables and accruals	(13,622)	(13,622)
	11,293	10,600
Goodwill on acquisition (note 16)	1,070	
	12,363	
Satisfied by:		
Cash	12,363	

31. Business Combinations (continued)

Business combinations for the year ended 31 December 2008 ***(continued)***

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of the subsidiary is as follows:

	2008 HK$'000
Cash consideration	(12,363)
Cash and cash equivalents acquired	6,345
Net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary	(6,018)

32. Operating Lease Arrangements

As lessee

The Group leases certain of its office properties and land use right under operating lease arrangements. Leases for office properties are negotiated for terms ranging from one to eleven years and those for land use right for terms ranging from seven to 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:

	2009 HK$'000	2008 HK$'000
Within one year	**17,846**	9,907
In the second to fifth years, inclusive	**15,749**	9,327
After five years	**44,883**	612
	78,478	19,846

33. Contingent Liabilities

At the end of the reporting period, contingent liabilities not provided for in the financial statements were as follows:

	Company	
	2009 HK$'000	2008 HK$'000
Guarantees given to banks in connection with facilities granted to a subsidiary	**4,672,200**	3,892,200

As at 31 December 2009, the banking facilities granted to a subsidiary subject to guarantees given to the banks by the Company were utilised to the extent of approximately HK$3,957,329,000 (2008:HK$406,998,000).

34. Capital Commitments

In addition to the operating lease commitments detailed in note 32 above, the Group had the following capital commitments at the end of the reporting period:

	2009 HK$'000	2008 HK$'000
Capital commitments in respect of property, plant and equipment:		
Authorised, but not contracted for	**5,442,919**	2,007,731
Contracted, but not provided for	**1,001,424**	228,749
	6,444,343	2,236,480

35. Other Commitments

Commitments under commodity future contracts:

	Group	
	2009 HK$'000	2008 HK$'000
Sales of soybean meal	**4,869,589**	89,120
Sales of soybean	**4,429,677**	2,822,679
Sales of soybean oil	**6,957,316**	1,858,913
Sales of rapeseed oil	**49,705**	229,956
Sales of palm oil	**4,598,427**	727,351
Sales of corn	**246,240**	–
	21,150,954	5,728,019
Purchases of soybean	**1,664,761**	–
Purchases of corn	**–**	51,880
	1,664,761	51,880

Commitments under foreign currency forward contracts:

	Group	
	2009 HK$'000	2008 HK$'000
Sales of United States dollars	**326,098**	1,266,360

Other than disclosed above, the Group did not have any significant commitments or contingent liabilities as at the end of the reporting period (2008: Nil).

36. Connected and Related Party Transactions

(a) Apart from the transactions and balances disclosed elsewhere in the financial statements, the Group had the following transactions with related parties during the year:

	Notes	**2009 HK$'000**	2008 HK$'000
Transactions with fellow subsidiaries:			
Sales of goods**	(i)	**4,612,287**	7,293,549
Purchases of goods**	(i)	**698,093**	1,827,679
Operating lease rental paid*	(i)	**10,295**	11,223
Interest expense	(ii)	**12,844**	11,400
Building management fee paid	(i)	**377**	418
Brokerage fee paid**	(i)	**30,939**	31,000
Processing service fee paid*	(i)	**3,404**	–
Logistic service and storage income	(i)	**1,989**	5,666
Disposal of assets	(i)	**–**	3,300
Purchase of assets	(i)	**127,995**	–
Transactions with the ultimate holding company:			
Sales of goods*	(i)	**12**	246
Purchases of goods*	(i)	**–**	9,863,906
Operating lease rental paid*	(i)	**9,054**	–
Agency income*	(iii)	**–**	383,075
Logistic service and storage income*	(i)	**3,079**	97,964
Transactions with associates:			
Sales of goods**	(i)	**2,270,891**	570,490
Purchases of goods**	(i)	**179,426**	86,452
Agency income*	(i)	**–**	110
Interest income	(i)	**1,732**	–
Transactions with related companies: #			
Sales of goods**	(i)	**226,347**	1,034,039
Purchases of goods**	(i)	**4,288,134**	2,725,514
Transactions with minority shareholders of subsidiaries:			
Sales of goods**	(i)	**927,642**	144,519
Purchases of goods*	(i)	**53,096**	44,034

* These related party transactions also constituted connected transactions disclosable in accordance with the Listing Rules.

** A certain portion of these related party transactions are connected transactions disclosable in accordance with the Listing Rules.

\# Related companies are companies under significant influence of the Group's ultimate holding company.

36. Connected and Related Party Transactions (continued)

(a) (continued)

Notes:

(i) Except for the transactions with a fellow subsidiary for sales of goods of Nil (2008: HK$15,475,000) and with an associate for sales of goods of HK$2,065,864,000 (2008: HK$103,871,000), which were carried out at cost, other transactions were carried out with reference to the prevailing market prices or, where no market prices were available, at cost plus a percentage of profit mark-up.

(ii) The interest expense arose from the loans from a fellow subsidiary, which were unsecured, bore interest at rates of LIBOR+1.08 per annum and 4.374% (2008: LIBOR+1.08 per annum).

(iii) As disclosed in the Company's announcement dated 21 August 2008, on 1 February 2008, the Group entered into an agency agreement with COFCO pursuant to which the Group engaged in providing import agency services in respect of purchasing certain raw materials for COFCO. The agency fee is calculated at 1% of the total offered contract prices by COFCO of the goods purchased, but subject to agency fee adjustment. No such transactions occurred in the reporting period ended 31 December 2009.

(b) *Outstanding balances with related parties*

Except for the following, the balances with the ultimate holding company, fellow subsidiaries, related companies, and minority shareholders of the Group's subsidiaries as at the end of the reporting period are unsecured, interest-free and have no fixed terms of repayment:

(1) Loans due to a fellow subsidiary of HK$340,715,000 (2008: HK$312,000,000), which bore interest at rate of 4.374% per annum;

(2) Amounts due to minority shareholders of subsidiaries of HK$129,606,000 (2008: HK$129,476,000), which are financing in nature and are not repayable within one year from the end of the reporting period.

The carrying amounts of the balances with related parties approximate to their fair values.

(c) *Compensation of key management personnel of the Group*

	2009 **HK$'000**	2008 HK$'000
Short term employee benefits	**18,306**	17,877
Post-employment benefits	**314**	310
Equity-settled share option expense	**4,443**	5,113
Total compensation paid to key management personnel	**23,063**	23,300

36. Connected and Related Party Transactions (continued)

(d) *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 year, the Group had transactions with State-owned Enterprises including, but not limited to, sales and purchases of processed foodstuffs and raw materials. 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 Stated-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 is a material related party transaction that requires separate disclosure.

37. Particulars of Principal Subsidiaries

Particulars of the Company's principal subsidiaries as at 31 December 2009 are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/paid-in share capital	Percentage of equity attributable to the Company	Principal activities
China Agri-Industries Limited	Bermuda/ Hong Kong	Ordinary HK$269,238,336	100	Investment holding
COFCO Agricultural Industries Management Services Co., Ltd. **	The PRC/ Mainland China	US$5,000,000	100	Providing management services
Full Extent Group Limited	British Virgin Islands ("BVI")/ Hong Kong	Ordinary US$3	100	Investment holding
Charm Power Limited	Hong Kong/ Hong Kong	Ordinary HK$1	100	Investment holding
COFCO Oils & Fats Holdings Limited	BVI//Hong Kong	Ordinary US$2	100	Investment holding
COFCO East Ocean Oils & Grains Industries (Zhangjiagang) Co., Ltd. **	The PRC/ Mainland China	US$113,000,000	54	Production and sale of edible oil and trading of soybean and rapeseed

37. Particulars of Principal Subsidiaries (continued)

Particulars of the Company's principal subsidiaries as at 31 December 2009 are as follows (continued):

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/paid-in share capital	Percentage of equity attributable to the Company	Principal activities
COFCO Yellowsea Oils & Grains Industries (Shandong) Co., Ltd. **	The PRC/ Mainland China	US$47,773,776	72.94	Production and sale of edible oil
COFCO ADM Oils & Grains Industries (Heze) Co., Ltd. **	The PRC/ Mainland China	US$22,399,989	70	Production and sale of edible oil
COFCO Eastbay Oils & Grains Industries (Guangzhou) Co., Ltd. **	The PRC/ Mainland China	RMB51,700,000	89.36	Processing and refining of edible oil and fat
China Agri Oils Trading Limited	Hong Kong/ Hong Kong	Ordinary HK$1	100	Trading of soybean
COFCO Xiangrui Oils & Grains Industries (Jingmen) Co., Ltd. **	The PRC/ Mainland China	US$29,320,000	100	Production and sale of edible oil
張家港保稅區中糧四海豐貿易有限公司 ***	The PRC/ Mainland China	RMB10,000,000	57.43	Trading of soybean
COFCO East Ocean Oils & Grains (Dongtai) Co., Ltd ***	The PRC/ Mainland China	RMB20,000,000	54	Under construction
Zhangjiagang COFCO East Ocean Storage Co., Ltd ***	The PRC/ Mainland China	RMB336,000,000	38.74#	Provision of storage service
Hubei COFCO Xiangrui Oils & Grains Storage Co., Ltd. ***	The PRC/ Mainland China	RMB35,600,000	73.34	Under construction
COFCO Oils (Qinzhou) Co., Ltd ** ("COFCO Qinzhou")	The PRC/ Mainland China	RMB232,991,000	100	Under construction
COFCO Xinsha Oils & Grains Industries (Dongguan) Co., Ltd ** ("COFCO Dongguan")	The PRC/ Mainland China	US$29,850,000	100	Production and sale of edible oil

37. Particulars of Principal Subsidiaries (continued)

Particulars of the Company's principal subsidiaries as at 31 December 2009 are as follows (continued):

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/paid-in share capital	Percentage of equity attributable to the Company	Principal activities
COFCO Oils & Grains Industries (Feixian) Co., Ltd ** ("COFCO Feixian")	The PRC/ Mainland China	RMB30,000,000	100	Production and sale of edible oil
COFCO Oils & Grains Industries (Jiujiang) Co., Ltd **	The PRC/ Mainland China	US$16,000,000	100	Under construction
Tianjin COFCO Excel Joy Lingang Storage Co., Ltd *	The PRC/ Mainland China	RMB200,000,000	71.72	Under construction
Tianjin COFCO Excel Joy Oils & Grains Terminal Co., Ltd *	The PRC/ Mainland China	RMB72,088,000	52.3	Under construction
COFCO Excel Joy (Tianjin) Co., Ltd. **	The PRC/ Mainland China	US$62,810,550	100	Under construction
COFCO Malt Holdings Limited	BVI/Hong Kong	Ordinary US$2	100	Investment holding
Dalian COFCO Malt Co., Ltd. **	The PRC/ Mainland China	US$32,526,000	100	Production and sale of brewing materials
COFCO Malt (Jiangyin) Co., Ltd. **	The PRC/ Mainland China	US$35,000,000	100	Production and sale of brewing materials
COFCO Malt (Hulunbeier) Co., Ltd. **	The PRC/ Mainland China	US$17,300,000	100	Under construction
COFCO International (Beijing) Co., Ltd. **	The PRC/ Mainland China	RMB60,000,000	100	Trading of rice
COFCO (BVI) No. 1 Limited	BVI/Hong Kong	Ordinary US$2	100	Investment holding

37. Particulars of Principal Subsidiaries (continued)

Particulars of the Company's principal subsidiaries as at 31 December 2009 are as follows (continued):

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/paid-in share capital	Percentage of equity attributable to the Company	Principal activities
COFCO Jiangxi Rice Processing Limited *	The PRC/ Mainland China	RMB110,200,000	83.47	Trading and processing of rice
COFCO Dalian Rice Processing Limited **	The PRC/ Mainland China	RMB132,100,000	100	Trading and processing of rice
COFCO Biofuel Holdings Limited	BVI/Hong Kong	Ordinary US$2	100	Investment holding
Techbo Limited	BVI/Hong Kong	Ordinary US$1	100	Investment holding
COFCO Bio-Energy (Zhaodong) Co., Ltd. ("Zhaodong Bio-Energy") **	The PRC/ Mainland China	RMB380,000,000	100	Production and sale of biofuel and biochemical
COFCO Heilongjiang Brewery Co., Ltd. ***	The PRC/ Mainland China	RMB5,000,000	65	Wine brewery
Guangxi COFCO Bio-Energy Co., Ltd. ("Guangxi Bio-Energy") *	The PRC/ Mainland China	US$40,205,980	85	Production and sale of biofuel and biochemical
COFCO Biochemical Holdings Limited	BVI/Hong Kong	Ordinary US$2	100	Investment holding
COFCO Bio-Chemical Energy (Yushu) Co., Ltd. **	The PRC/ Mainland China	US$38,000,000	100	Production and sale of biofuel and biochemical
COFCO Bio-Chemical Energy (Gongzhuling) Co., Ltd. **	The PRC/ Mainland China	US$71,880,000	100	Production and sale of biofuel and biochemical

37. Particulars of Principal Subsidiaries (continued)

Particulars of the Company's principal subsidiaries as at 31 December 2009 are as follows (continued):

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/paid-in share capital	Percentage of equity attributable to the Company	Principal activities
Jilin COFCO Bio-Chemical Energy Sales and Distributions Co., Ltd. ***	The PRC/ Mainland China	RMB10,000,000	100	Sale of biofuel and biochemical
COFCO Rongs Biotech Co., Ltd. ** ("COFCO Rongs")	The PRC/ Mainland China	RMB80,000,000	100	Production and sale of biochemistry
Cheerlink International Limited	BVI/Hong Kong	Ordinary US$2	100	Investment holding
Jilin CRO Biochemistry Packaging Co., Ltd ** ("Jilin Packaging")	The PRC/ Mainland China	RMB42,500,000	100	Production and sale of biochemistry packaging
Yellow Dragon Food Industry Co., Ltd * ("Yellow Dragon")	The PRC/ Mainland China	US$54,053,300	59.43	Production and sale of biochemical
COFCO Flour Holdings Limited	BVI/Hong Kong	Ordinary US$3	100	Investment holding
Shenyang Dongda Grains Oils & Foodstuffs Industries Co., Ltd. *	The PRC/ Mainland China	RMB55,000,000	66.9	Production and sale of wheat products
COFCO Flour Industry (Puyang) Co., Ltd. **	The PRC/ Mainland China	RMB35,000,000	80	Production and sale of wheat products
COFCO Flour Industry Foods (Dezhou) Co., Ltd. *	The PRC/ Mainland China	RMB43,533,000	55	Production and sale of wheat products
Shenyang Xiangxue Flour Limited Liability Company *	The PRC/ Mainland China	RMB80,350,000	69.3	Production and sale of wheat products

37. Particulars of Principal Subsidiaries (continued)

Particulars of the Company's principal subsidiaries as at 31 December 2009 are as follows (continued):

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/paid-in share capital	Percentage of equity attributable to the Company	Principal activities
COFCO Flour Industry (Qinhuangdao) Pangthai Co., Ltd. **	The PRC/ Mainland China	US$17,340,000	100	Production and sale of wheat products
COFCO Flour Industry (Taixing) Co., Ltd **	The PRC/ Mainland China	HK$45,246,600	100	Production and sale of wheat products
COFCO TTC (Beijing) Foods Co., Ltd. **	The PRC/ Mainland China	US$5,450,000	51	Production and sale of wheat products
COFCO Flour Industry (Luohe) Co., Ltd. *	The PRC/ Mainland China	RMB40,000,000	95	Production and sale of wheat products
COFCO Flour Marketing Management (Beijing) Co., Ltd. ***	The PRC/ Mainland China	RMB2,800,000	100	Sale of wheat products
Conomer Investments Limited	BVI/Hong Kong	Ordinary US$1	100	Investment holding
Zhengzhou Haijia Food Co., Ltd. *	The PRC/ Mainland China	RMB30,000,000	55	Production and sale of wheat products
Sunny World Limited	BVI/Hong Kong	Ordinary US$1	100	Investment holding
Xiamen Haijia Flour Mills Co., Ltd. *	The PRC/ Mainland China	RMB82,058,356	60	Production and sale of wheat products

* Sino-foreign equity joint ventures

** Wholly-foreign-owned enterprises

*** Domestic-funded enterprises

\# Zhangjiagang COFCO East Ocean Storage Co., Ltd. is a subsidiary of a non-wholly-owned subsidiary of the Company and, accordingly, is accounted for as a subsidiary by virtue of the Company's control over it.

37. Particulars of Principal Subsidiaries (continued)

Except for China Agri Oils Trading Limited and Charm Power Limited, the statutory audits for the above subsidiaries were not performed by Ernst & Young Hong Kong or any other member firm of the Ernst & Young global network.

Except for China Agri-Industries Limited and COFCO Agricultural Industries Management Services Co., Ltd., all of the above subsidiaries are indirectly held by the Company.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

38. Particulars of Principal Associates

Particulars of the Group's principal associates as at 31 December 2009 are as follows:

Name	Particulars of issued and paid-up share/ registered capital	Place of incorporation/ registration	Percentage of ownership interest attributable to the Group	Principal activities
Great Ocean Oil and Grains Industries (Fang Cheng Gang) Co., Ltd.	US$69,500,000	The PRC	40	Soybean oil extraction and refining Packaging and production of soybean meal
Laiyang Luhua Fragrant Peanut Oil Co., Ltd. #	US$19,219,300	The PRC	24	Production and sale of peanut oil
COFCO Northsea Oils & Grains Industries (Tianjin) Co., Ltd. #	US$51,557,000	The PRC	50.44	Production and sale of edible oil
Lassiter Limited #	Ordinary share US$100	Samoa	49	Investment holding*
Shenzhen Nantian Oilmills Co., Ltd. #	US$10,000,000	The PRC	20	Oilseeds processing
Jilin Fuel Ethanol Co., Ltd. #	RMB1,200,000,000	The PRC	20	Production and sale of biofuel and biochemical

* Lassiter Limited has a 61.74% equity interest in Shenzhen Southeast Grains Industries Ltd., a Sino-foreign equity joint venture registered in the PRC, the principal activity of which is the production and sale of wheat products in Mainland China.

Not audited by Ernst & Young Hong Kong or any other member firm of the Ernst & Young global network.

38. Particulars of Principal Associates (continued)

The above table lists the associates of the Group which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other associates would, in the opinion of the directors, result in particulars of excessive length.

All of the above associates are indirectly held by the Company.

39. Financial Instruments by Category

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Financial assets (Group)

2009

	Financial assets at fair value through profit or loss HK$'000	Loans and receivables HK$'000	Available-for-sale investments HK$'000	Total HK$'000
Loan to associates (note 18)	–	152,911	–	152,911
Due from related companies and associates	–	686,130	–	686,130
Available-for-sale investments	–	–	2,728	2,728
Accounts and bills receivables	–	1,921,473	–	1,921,473
Deposits and other receivables	–	1,936,309	–	1,936,309
Derivative financial instruments	10,211	–	–	10,211
Due from fellow subsidiaries, ultimate holding company and minority shareholders	–	3,064,208	–	3,064,208
Pledged deposits	–	23,784	–	23,784
Cash and cash equivalents	–	5,515,280	–	5,515,280
Total	10,211	13,300,095	2,728	13,313,034

39. Financial Instruments by Category (continued)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows (continued):

Financial assets (Group) (continued)

2008

	Financial assets at fair value through profit or loss HK$'000	Loans and receivables HK$'000	Available-for-sale investments HK$'000	Total HK$'000
Loan to associates (note 18)	–	173,253	–	173,253
Due from related companies and associates	–	398,506	–	398,506
Available-for-sale investments	–	–	9,621	9,621
Accounts and bills receivables	–	1,853,560	–	1,853,560
Deposits and other receivables	–	2,091,185	–	2,091,185
Derivative financial instruments	947	–	–	947
Due from fellow subsidiaries, ultimate holding company and minority shareholders	–	1,859,887	–	1,859,887
Pledged deposits	–	63,517	–	63,517
Cash and cash equivalents	–	4,894,435	–	4,894,435
Total	947	11,334,343	9,621	11,344,911

Financial assets (Company)

	2009 HKD'000	2008 HKD'000
Due from subsidiaries	**830,615**	1,925,462
Deposits and other receivables	**473**	2,052
Cash and cash equivalents	**1,047,988**	1,130,004
Loans to subsidiaries (note 17)	**2,891,421**	1,252,116
Total	**4,770,497**	4,309,634

39. Financial Instruments by Category (continued)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows (continued):

Financial liabilities (Group)

2009

	Financial liabilities at fair value through profit or loss HK$'000	Financial liabilities at amortised cost HK$'000	Total HK$'000
Accounts and bills payables	**–**	**1,270,984**	**1,270,984**
Other payables	**–**	**1,154,907**	**1,154,907**
Derivative financial instruments	**855,246**	**–**	**855,246**
Interest-bearing bank and other borrowings	**–**	**12,829,272**	**12,829,272**
Due to fellow subsidiaries, related companies, associates, ultimate holding company and minority shareholders of subsidiaries	**–**	**419,532**	**419,532**
Total	**855,246**	**15,674,695**	**16,529,941**

2008

	Financial liabilities at fair value through profit or loss HK$'000	Financial liabilities at amortised cost HK$'000	Total HK$'000
Accounts and bills payable	–	2,071,654	2,071,654
Other payables	–	1,215,632	1,215,632
Derivative financial instruments	506,934	–	506,934
Interest-bearing bank and other borrowings	–	6,376,054	6,376,054
Due to fellow subsidiaries, related companies, associates, ultimate holding company and minority shareholders of subsidiaries	–	791,298	791,298
Total	506,934	10,454,638	10,961,572

40. Financial Risk Management Objectives and Policies

The Group's principal financial instruments other than derivatives, comprise interest-bearing bank loans and other loans, and cash and bank balances and pledged deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as accounts and bills receivables, accounts and bills payables and balances with related parties, which arise directly from its operations.

The Group enters into derivative transactions, including principally foreign currency forward contracts and commodity future contracts for the purpose of hedging its risks associated with foreign currency fluctuations and with price fluctuations in future purchases or sales of the related commodities. The Group's accounting policies in relation to derivatives are set out in note 2.4 to the financial statements.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk, liquidity risk and market price risk. The Group's overall risk management programme focuses on minimising potential adverse effects of these risks with material impact on the Group's financial performance. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term interest-bearing bank and other borrowings with a floating interest rate. The effective interest rates and terms of repayment of the interest-bearing bank and other borrowings of the Group are disclosed in note 26. It is the Group's policy to negotiate the terms of the interest-bearing and other borrowings in order to minimise the respective finance cost. It is also the Group's policy not to use any derivatives to hedge its exposure to interest rate risk.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings) and the Group's equity.

		Group	
	Increase/ (decrease) in basis points	**(Decrease)/ increase in profit before tax** HK$'000	**(Decrease) / increase in equity** HK$'000
2008			
	100	(22,930)	(18,670)
	(100)	22,930	18,670
2009			
	100	**(17,112)**	**(14,169)**
	(100)	**17,112**	**14,169**

40. Financial Risk Management Objectives and Policies (continued)

Foreign currency risk

The Group mainly operates in Mainland China with most of the Group's monetary assets, liabilities and transactions principally denominated in Hong Kong dollars, Renminbi and United States dollars. Approximately 13% (2008: 16%) of the Group's sales are denominated in currencies other than the functional currency of the operating units making the sale, whilst almost 54% (2008: 66%) of costs are denominated in the units' functional currency. The Group partially hedges purchases and sales that are denominated in United States dollars, at the discretion of management.

The following table indicates the approximate change in the Group's profit before tax and equity in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the end of the reporting period.

	Increase/ (decrease) in HK$/US$ rate %	(Decrease)/ increase in profit before tax HK$'000	(Decrease)/ increase in equity HK$'000
2008			
If Renminbi weakens against Hong Kong dollar	5	–	(389,536)
If Renminbi strengthens against Hong Kong dollar	(5)	–	389,536
If Renminbi weakens against United States dollar	5	(313,913)	(255,593)
If Renminbi strengthens against United States dollar	(5)	313,913	255,593
2009			
If Renminbi weakens against Hong Kong dollar	**5**	**–**	**(16,474)**
If Renminbi strengthens against Hong Kong dollar	**(5)**	**–**	**16,474**
If Renminbi weakens against United States dollar	**5**	**(308,439)**	**(255,399)**
If Renminbi strengthens against United States dollar	**(5)**	**308,439**	**255,399**

Results of the analysis as presented in the above table represent an aggregation of the effects on each of the Group entities' profits before tax and equity measured in the respective functional currencies, translated into Hong Kong dollars at the exchange rates ruling at the end of the reporting period for presentation purpose.

40. Financial Risk Management Objectives and Policies (continued)

Credit risk

The Group has no significant concentration of credit risk. The carrying amount of the accounts receivable represents the Group's maximum exposure to credit risk in relation to its financial assets.

The Group monitors the exposure to credit risk on an ongoing basis and credit evaluations are performed on customers requiring credit over a certain amount. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. The credit risk on balances of cash and cash equivalents is low as these balances are placed with reputable financial institutions.

Liquidity risk

The Group's policy is to maintain sufficient cash and cash equivalents and have available funding through bank and other borrowings to meet its working capital requirements.

The contractual maturities of financial liabilities including derivative financial instruments, interest-bearing bank and other borrowings, amounts due to fellow subsidiaries, an amount due to the ultimate holding company, amounts due to related companies, amounts due to the minority shareholders of subsidiaries and amounts due to associates, have been disclosed in notes 23, 26, 36, 18 to the financial statements. For accounts and bills payables, they are generally on credit terms of one to three months after the invoice date and the bill issued date. For the financial liabilities amounting to HK$1,154,907,000 (2008: HK$1,215,632,000) that are included in the items of other payables and accruals on the consolidated balance sheet, there are generally no specified contractual maturities, and they are paid on a regular basis or upon counterparty's formal notification.

Market price risk

The raw material costs and product selling prices of the Group's edible oil, soybean meal, and other related commodity products are substantially correlated to the prices of the future commodities markets. Market price risk arises from price fluctuations of raw material cost and product selling price during the delivery, production and storage processes. To minimise the Group's market price risk exposure, the Group enters into commodities future contracts of soybean, soybean meal, edible oil and corn.

40. Financial Risk Management Objectives and Policies (continued)

Market price risk (continued)

The following table demonstrates the sensitivity to a reasonably possible change in the Group's major raw material prices, with all other variables held constant and no hedging investments available, of the Group's profit before tax and the Group's equity.

		Group	
	Change in raw materials prices	Change in profit before tax	Change in equity
	%	HK$'000	HK$'000
2008			
Soybean	5	647,002	525,220
Corn	5	210,414	162,751
Rice	5	117,568	100,214
Barley	5	68,233	61,715
Wheat	5	125,509	109,396
2009			
Soybean	**5**	**625,327**	**514,138**
Corn	**5**	**269,004**	**222,569**
Rice	**5**	**159,444**	**133,527**
Barley	**5**	**58,594**	**51,711**
Wheat	**5**	**150,066**	**148,149**

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2008 and 31 December 2009.

40. Financial Risk Management Objectives and Policies (continued)

Capital management (continued)

The Group monitors capital using a gearing ratio, which is net debt divided by the shareholders' equity. Net debt includes interest-bearing bank and other borrowings, less cash and cash equivalents and pledged deposits. The gearing ratios as at the end of the reporting period were as follows:

	Group	
	2009	2008
	HK$'000	HK$'000
Interest-bearing bank and other borrowings	**12,829,272**	6,376,054
Less: Cash and cash equivalents	**(5,515,280)**	(4,894,435)
Pledged deposits	**(23,784)**	(63,517)
Net debt	**7,290,208**	1,418,102
Equity attributable to owners of the Company	**15,830,046**	13,602,422
Gearing ratio	**46.1%**	10.4%

41. Approval of the Financial Statements

The financial statements were approved and authorised for issue by the board of directors on 30 March 2010.

中 国 2 0 1 0 年 上 海 世 博 会 高 级 赞 助 商
Senior Sponsor of Expo 2010 Shanghai China

CHINA AGRI-INDUSTRIES HOLDINGS LIMITED
中國糧油控股有限公司

31st Floor, Top Glory Tower, 262 Gloucester Road, Causeway Bay, Hong Kong
Tel ：852 2833 0606
Fax：852 2833 0319
www.chinaagri.com