中粮
COFCO
自然之源 重塑你我

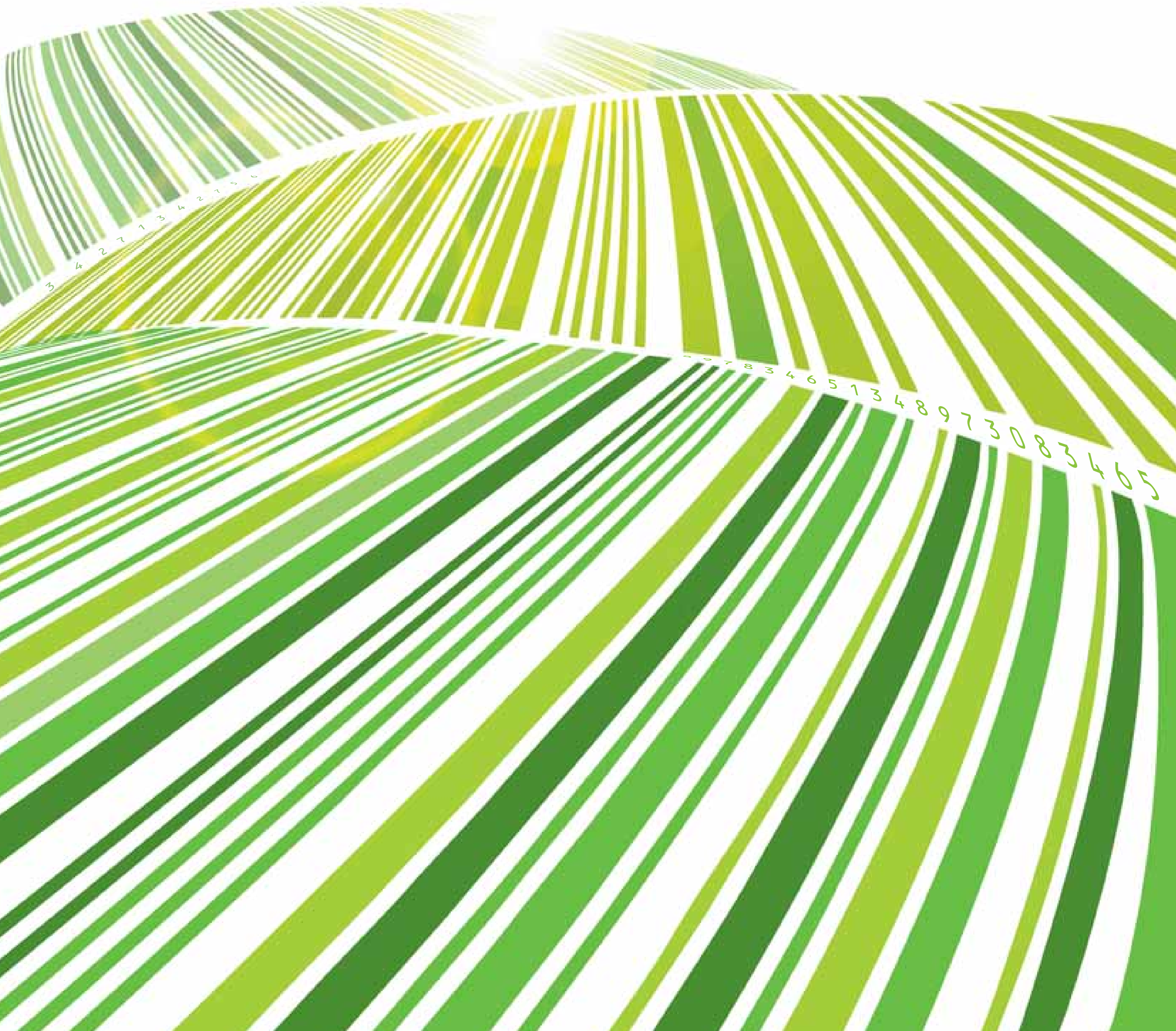
2010
INTERIM REPORT
中期業績報告

CHINA AGRI-INDUSTRIES HOLDINGS LIMITED
中國糧油控股有限公司

Stock Code 股份代號：606

產業鏈 好產品

Excellent food chain, quality products



2010
INTERIM REPORT
中期業績報告
中國糧油控股有限公司

中粮
COFCO
自然之源 重塑你我

Excellent food chain, quality products

Contents

Corporate Information	6
Financial Highlights	7
Management Discussion and Analysis	8
Corporate Governance and Other Information	23
Report on Review of Interim Financial Information	31
Condensed Consolidated Interim Financial Information:	
Condensed Consolidated Income Statement	33
Condensed Consolidated Statement of Comprehensive Income	34
Condensed Consolidated Statement of Financial Position	35
Condensed Consolidated Statement of Changes in Equity	37
Condensed Consolidated Statement of Cash Flows	38
Notes to the Condensed Consolidated Interim Financial Information	39

Corporate Information

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
CHI Jingtao
MA Wangjun
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

LEE Lai Yam

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)
The Bank of Tokyo-Mitsubishi UFJ, Ltd.

Registered 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

FAN Wing Yu, Winnie
Telephone: +852 2833 0606
Facsimile: +852 2833 0319
E-mail: ir@cofco.com

Company Website

http://www.chinaagri.com

Stock Code

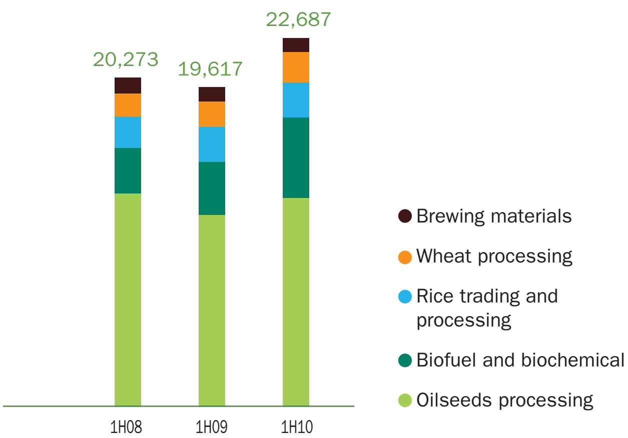
606

Financial Highlights

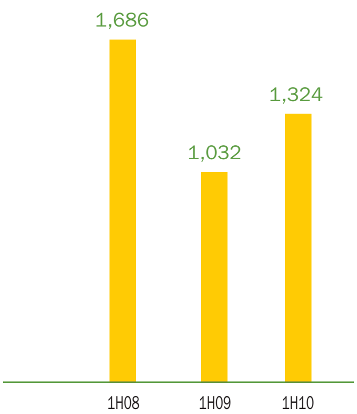
For the six months ended 30 June 2010

	Unit	For the period ended 30 June 2010	2009	Increase/ (Decrease) %
Revenue	HK$ million	**22,686.5**	19,616.6	15.6%
– Oilseeds processing	HK$ million	**12,801.2**	11,835.2	8.2%
– Biofuel and biochemical	HK$ million	**4,979.9**	3,198.9	55.7%
– Rice trading and processing	HK$ million	**2,122.0**	2,173.4	(2.4%)
– Wheat processing	HK$ million	**1,965.4**	1,666.5	17.9%
– Brewing materials	HK$ million	**818.0**	742.6	10.1%
Profit before tax	HK$ million	**2,287.3**	1,424.1	60.6%
Operating profit (segment results)	HK$ million	**2,303.6**	1,203.4	91.4%
Operating margin	%	**10.2**	6.1	
Profit attributable to owners of the Company	HK$ million	**1,324.3**	1,031.9	28.3%
Earnings per share				
– Basic	HK$	**0.343**	0.28	22.5%
– Diluted	HK$	**0.342**	0.28	22.1%
Interim dividend per share	HK$	**0.066**	0.067	(1.5%)
Closing price per share at period-end	HK$	**9.08**	4.83	88.0%
Market capitalisation at period-end	HK$ million	**35,051.4**	18,631.9	88.1%

Revenue
(HK$M)



Profit Attributable to Owners of the Company
(HK$M)



Management Discussion and Analysis

China Agri-Industries Holdings Limited (the "Company") is China's leading agribusiness and food processing company, engaging in the processing and sales of oilseeds, biofuel and biochemical products, rice, wheat and brewing materials. The Company is committed to providing customers with safe, nutritious and healthy food products that are reasonably priced.

Business Review

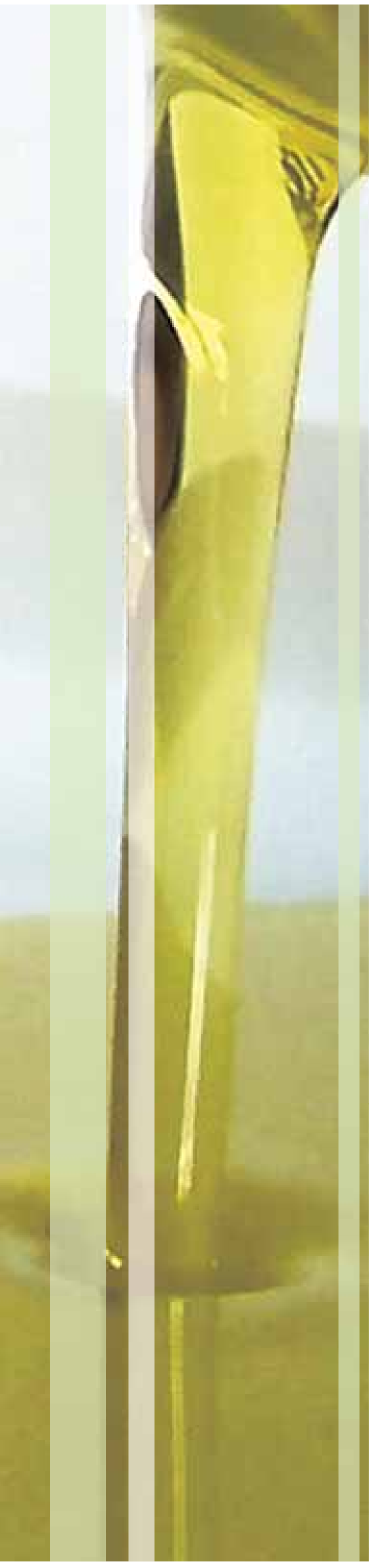
Oilseeds Processing Business

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

The oilseeds processing business is the largest revenue contributor of the Company, accounting for 56.4% of total revenue and 69.7% of total operating profit for the first half of 2010. During the period, the segment's revenue and operating profit were HK$12,801.2 million and HK$1,605.4 million, representing increases of 8.2% and 143.3%, respectively.

The prices of raw materials and products were relatively stable in the first half of 2010 compared with the corresponding period last year. Sales of products were under pressure for a number of reasons, such as a relatively higher inventory level of imported soybean and palm oil due to massive output of major soybean producing countries, a change in government policy relating to imports of soybean oil and rapeseeds, and sluggish domestic feeds market. Nevertheless, sales of edible oil grew thanks to an effective pricing strategy that meets the demand of its core customers and that ensures the seamless supply of products. The Company sold 930,000 metric tons of edible oil in the first half of this year, generating revenue of HK$6,839.4 million, an increase of 8.4% year on year. Of the edible oil sold, soybean oil accounted for 400,000 metric tons and reported a 50.0% growth in revenue over the corresponding period last year; palm oil accounted for 250,000 metric tons and reported 6.8% growth in revenue year on year. During the period, the Company sold 1,680,000 metric tons of oilseeds meals and feeds with revenue of HK$5,259.0 million, down 1.2% year on year.

To ensure the stability of raw material supply, the Company closely monitored market trends and procured raw materials in bulk for reserves. It also judiciously entered into hedging arrangements for raw materials and the related products, which sought to manage the inherent risks associated with the price volatility of raw materials and the related products, and in turn enhanced the competitiveness of the Company.



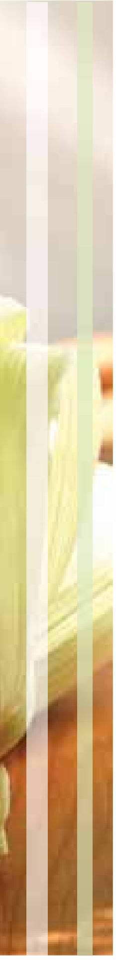
Management Discussion and Analysis

The Company developed a new strong-flavoured soybean oil catering to market needs. The oil could be mixed with other types of oils to create different products. With good nutrition values and flavour, it has strong market potential for uses in Chinese cuisines. Pre-marketing of the new product is underway and it will be launched at an appropriate time. At the same time, the Company has stepped up its marketing efforts to raise awareness of its medium pack edible oil under the Fuzhanggui (福掌柜) brand to meet demand from the food and restaurant industry. The efforts have so far yielded encouraging results. In addition, the Company continued to optimise its product mix based on actual needs so as to satisfy the different requirements of customers and create a win-win situation.

The Company continued to improve its strategic layout and boost its production capacity, with a view to solidify its industry leadership. Construction of four new rapeseed processing plants in Anhui, Hubei and Chongqing were approved in the first half of this year. Upon completion of these new plants, crushing and refining capacities will be increased by 900,000 metric tons and 600,000 metric tons, respectively. In addition to the other projects under construction in Shandong, Jiangxi, Guangxi and Tianjin, all eight new processing plants will increase the Company's crushing and refining capacities by 4,800,000 metric tons and 1,680,000 metric tons respectively. The new plants will begin to commence operation one after the other between the end of 2010 and 2011.

As at the end of June 2010, the Company had a total of seven processing plants in Shandong, Jiangsu, Guangdong and Hubei, with aggregate crushing and refining capacities of 5,580,000 metric tons and 1,830,000 metric tons respectively.

Looking ahead, the Company will continue to expand its business scale and optimise its strategic layout. It will closely monitor and manage the progress of the new plants construction to ensure they can all commence production as scheduled. As for sourcing, the Company will increase its control over raw material procurement, ensure stable supply of raw materials, and manage risks associated with price volatility in raw materials through effective hedging. In addition, the Company will step up its marketing efforts, optimise sales channels, raise customer service standards, and enhance the marketing of new products. The Company will also seek to boost the market share of its medium pack products and further develop its brands. These measures will go toward enhancing the Company's overall market share and leadership.



Biofuel and Biochemical Business

For the first half of 2010, the Company's biofuel and biochemical businesses reported revenues and operating profit of HK$4,979.9 million and HK$492.4 million respectively, representing surges of 55.7% and 63.9% over the corresponding period last year.

Biofuel Business

The Company is one of China's major fuel ethanol producers. It operates the business through two subsidiaries, namely COFCO Bio-Energy (Zhaodong) Co., Ltd. and Guangxi COFCO Bio-Energy Co., Ltd.

Currently, the price of fuel ethanol in China is pegged to the ex-factory price of No. 90 gasoline, which is determined by the National Development and Reform Commission (the "NDRC"). The NDRC has raised the price of gasoline several times since the second half of 2009, resulting in a substantial increase in the ex-factory price of fuel ethanol compared to a year earlier. During the period, revenue from the biofuel business rose 19.8% to HK$2,076.3 million from the corresponding period last year. In particular, fuel ethanol sales reached 190,000 metric tons, translating to a 33.8% growth in revenue year on year; sales of crude corn oil and corn DDGS amounted to 200,000 metric tons, representing a 24.1% increase in revenue.

During the period, the Company continued to enhance its operational efficiency and to lower cost with a more streamlined production process. Through better communications with PetroChina and Sinopec, the Company was able to play a proactive role in supporting the oil companies' business development. And by assisting the State Administration for Industry and Commerce in market regulatory work, sales of fuel ethanol rose. In keeping with the growing economy, gasoline consumption rose sharply, which led to a steady growth in both the sales volume and revenue of fuel ethanol.

As at the end of June 2010, the Company operated two plants, one each in Guangxi and Heilongjiang. The plants have a combined capacity of 600,000 metric tons of fuel ethanol, consumable ethanol and anhydrous ethanol. Of which, fuel ethanol alone accounts for 380,000 metric tons.

Looking ahead, the Company will seek to strengthen cost control and provide customers with better quality consumable ethanol using more advanced technology. It will also strive to ensure food safety while managing to meet the customer's ever-increasing standards for food quality.

Management Discussion and Analysis

Biochemical Business

The Company's biochemical business is primarily engaged in corn processing. Products include corn starch, sweeteners and feed ingredients.

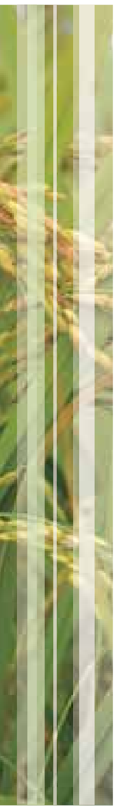
Prices of corn surged in the first half of 2010, but the growth was outstripped by an increase in the selling prices of corn products thanks to robust market demand. The Company took the opportunity to sell more products and to strengthen its relationship with core customers by ensuring product supply remained stable. As a result, the business reported growth in both sales and revenue. During the period, revenue from biochemical business rose 98.1% to HK$2,903.6 million from the corresponding period last year. Corn starch sales reached 620,000 metric tons, contributing to a 76.4% growth in revenue. Sales of sweeteners amounted to 150,000 metric tons representing a 177.3% increase in revenue year on year.

In 2010, the Company continued to be the official fructose syrup supplier for all seven Coca-Cola and Pepsi Cola bottlers in the northeastern part of China. The Company has also entered into long-term procurement contracts and established strategic partnerships with high-end customers such as China Resources Snow Breweries and InBev to ensure a stable supply of products. In the area of research and development, the Company continued to develop and launch value-added products catering to customers' needs, which in turn boosted profitability. Trial production of isomaltooligosaccharide has been successful. The new product is expected to be officially launched by the end of this year.

As of the end of June 2010, the Company operated a total of four plants in Jilin and Shanghai, with a processing capacity of 1,850,000 metric tons for corn, a production capacity of 450,000 metric tons for sweeteners. The Company's projects under construction in Heilongjiang and Hebei are scheduled to be ready for use by 2011, offering a combined processing capacity of 1,200,000 metric tons of corn.

Looking ahead, the Company will strengthen its control over raw materials by promoting quality seedling production and broadening raw material base. Moreover, it will optimise product mix, raise the management standards at existing plants and ensure the new projects can all commence production on schedule. The Company will place greater emphasis on brand-building and provide customers with excellent services while ensuring the quality of products.

Management Discussion and Analysis



Rice Trading and Processing Business

The Company is the largest rice exporter in China and a leading domestic supplier of packaged rice, engaging primarily in the processing and trading of white and parboiled rice. The Company exports white rice to traditional markets such as Japan, Korea, Hong Kong and Macau and parboiled rice to countries in the Middle East, Eastern Europe, Africa, Middle Asia and Americas. Domestically, the Company sells rice under the Fortune (福臨門) and Five Lakes (五湖) brands.

Revenue and operating profit of the rice trading and processing business were HK$2,122.1 million and HK$80.5 million for the first half of 2010 respectively, representing decreases of 2.4% and 65.4% over the corresponding period last year.

International demand for rice was relatively sluggish in the first half of 2010 due to massive output from rice producing countries like Vietnam, and Thailand, as well as surplus inventories in traditional rice importers such as Middle Asia, the Middle East and South Africa, resulting in a decline in the Company's exports and average selling price. Nevertheless, the Company was able to solidify its leadership and enhance its share of the business in core markets including Japan, Korea, Hong Kong and Macau, thanks to its strong business acumen and an effective pricing strategy. The Company exported 210,000 metric tons of rice in the first half of the year, generating revenue of HK$985.3 million, a decrease of 37.6% year on year.

China's export quota of rice in the first half of the year was lower compared to the corresponding period last year due to changes in government policies. Nevertheless, the Company received a quota of 340,000 metric tons, representing 81.6% of the total. As a result, the Company's premier position as a main Chinese rice exporter is maintained.

Domestically, the Company stepped up its rice business development efforts and accelerated penetration in key markets with the setting up of 16 sales offices as of the end of the interim period. The Company's sales network now covers 30,000 points of sales such as hypermarket, supermarket and food store in 240 key cities. Moreover, the Company continued to maintain close partnerships with major supermarket chains such as Walmart, Carrefour and Metro, which helped boost sales volume and revenue significantly. During the period under review, the Company sold 230,000 metric tons of rice domestically, generating revenue of HK$925.3 million, an increase of 89.3% year on year.

Management Discussion and Analysis

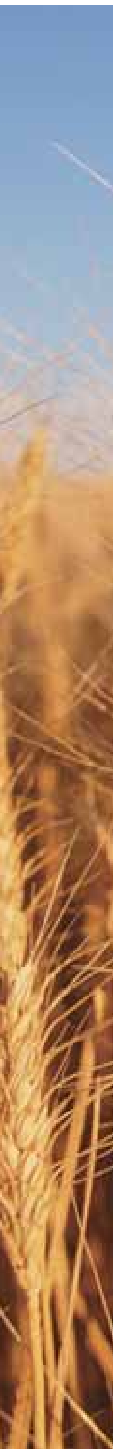
To raise the profile and market share of its products, the Company took initiatives to build a key distribution network for its mid-to-high-end brands such as Fortune (福臨門) and Five Lakes (五湖), and has actively expanded its customer base by strategically co-operating with large-scaled international catering chains such as YUM!.

During the period, the Company actively optimised its raw material procurement plans and strengthened risk management to ensure the quality of grains. Using a mixture of measures such as contract farming, direct sourcing, trading, reserve rotation and government reserve auction, the Company has been able to broaden its sourcing channels, effectively alleviating the pressures of increasing grain prices.

As at the end of June 2010, the Company operated three rice processing plants, one each in Liaoning, Jiangxi and Jiangsu, with a total production capacity of 530,000 metric tons.

The Company will further refine its strategic layout, expand production capacity and grow market share, with a view to become one of China's largest rice processing enterprises. At present, the Company is constructing a total of five new rice processing plants in major paddy rice-growing regions such as Heilongjiang, Jilin, Liaoning and Ningxia. Upon completion, the new plants will add to the Company's rice processing capacity 740,000 metric tons and are expected to commence operation one after the other between the end of 2010 and 2011.

Looking ahead, higher rice prices and the expansion into China's market by domestic and foreign food companies are likely to drive further consolidation in the rice industry. On one end of the market, rice products are likely to be increasingly traded. On the other end of the market, a growing emphasis will be placed on brands. In view of this, the Company will step up its efforts to build a business model that covers the entire value chain. By refining its procurement system and tightening control over raw material sourcing, the Company will actively develop its domestic business and branded retail business to propel further growth in upstream and downstream businesses and reinforce its market leadership in China.



Wheat Processing Business

The Company is one of the largest wheat processors in China engaging in the sales of general purpose flour, customised flour as well as other flour products such as noodles and breads under the Fortune (福臨門) and Xiangxue (香雪) brands.

Revenue and operating profit from the wheat processing business for the first half of 2010 amounted to HK$1,965.4 million and HK$53.4 million respectively, representing an increase of 17.9% and a decrease of 13.6% over the corresponding period last year.

During the first half of the year, price increases in flour and flour products lagged behind that of raw materials, which rose continuously to a greater extent. With product price hikes outstripped by those of raw materials and with keen competition in the industry, operating profit was down from the corresponding period last year despite the increase in revenue.

Amidst a difficult operating environment, the Company pushed ahead with its “integrated operation and professional management” strategy regarding sourcing and sales. For sourcing, the Company implemented contract farming and strategic procurement to secure wheat supply in major growing regions and lock in prices. As for sales, the Company continued to improve its product and customer mix to minimise any adverse impact on its business led by unfavourable market conditions. Leveraging its competitive advantages in technology research and development, the Company provided large-scaled food enterprises with a wide range of comprehensive sourcing solutions. In the first half of the year, the Company sold 550,000 metric tons of flour, generating revenue of HK$1,527.4 million, an increase of 12.1% year on year. Of the flour sold, general purpose flour and customised flour accounted for 170,000 metric tons and 380,000 metric tons, respectively, representing a drop of 4.9% and a growth of 20.8% in revenue, correspondingly.

As at the end of June 2010, the Company operated a total of 11 plants in Hebei, Henan, Jiangsu, Liaoning, Fujian, Shandong and Beijing with aggregate processing capacities of 2,010,000 metric tons for wheat, around 70,000 metric tons for dried noodles and around 2,000 metric tons for bakery products.

Looking ahead, the Company will seek to grow its production capacity steadily to strengthen its industry leading position. It will offer the Company greater control over procurement and costs of raw materials, which in turn aligns with its strategic layout. The Company will also maximise its product and customer mix to make products even more competitive.

Management Discussion and Analysis

Brewing Materials Business

The Company is a leading supplier of brewing materials in China engaging in the production and sales of malt. Its malt production plant, which is the largest in China, is equipped with technologically advanced facilities for the production of top quality products for sales to mainly domestic buyers and Southeast Asian countries.

During the period, revenue from the brewing materials business was HK$818.0 million, representing an increase of 10.1% over the corresponding period last year. Segment operating profit was HK$126.2 million, representing a major turnaround from an operating loss of HK$3.5 million at the same period last year.

During the first half of 2010, prices of malting barley in the international market dropped significantly over the corresponding period last year, stimulating market demand for malt. The Company seized the opportunity to sell more malt, resulting in higher sales volume and revenue. During the period, the Company sold 250,000 metric tons of malt, generating revenue of HK$794.0 million, an increase of 8.7% over the corresponding period last year. Of the malt sold, domestic sales accounted for 190,000 metric tons, representing a growth of 8.8% year on year; exports accounted for 60,000 metric tons, an increase of 8.6% year on year.

During the period, the Company enhanced its operation with better management. Proactive measures were taken to help clear pricey inventories from 2009. At the same time, the Company took advantage of lower prices to stock up on raw materials and sold products opportunistically. As a result, operating profit was up significantly from the corresponding period last year.

As for sales, the Company focused on network expansion and relationship building with core customers while developing new markets. The measures helped lift the Company's market share from the corresponding period last year. In the area of research and development, the Company's continued efforts in product and technology innovations have resulted in specialized malt products which not only meet market needs but also have broadened the Company's revenue stream.

At of the end of June 2010, the Company has two malt plants, one each in the provinces of Liaoning and Jiangsu, with an aggregate production capacity of 660,000 metric tons. In addition, the Company is constructing a plant with a production capacity of 80,000 metric tons in Inner Mongolia, to be completed by the end of 2010.

Looking ahead, in view of China's enormous market potential and of positive development in the brewing materials industry, the Company will seek to strengthen its control over raw materials, optimise its product mix, improve its competiveness to continue to provide customers with products that are safe, nutritious, healthy and reasonably priced, as well as quality and timely services.

Financial Review

The Group's Results for the Period

The economy of China continues to maintain its growth edge since the beginning of 2010 and the overall performance of national economy remained satisfactory, its development is getting more stable. Given the downstream businesses of the Group gradually picking up their demands, the sales of products was facilitated which in turn made the selling prices of our major products go up over the corresponding period of last year. For the six months ended 30 June 2010, the Group recorded a growth in revenue of 15.6%, up from HK$19,616.6 million in the corresponding period of 2009 to HK$22,686.5 million during the period. The oilseeds processing unit remained as the largest revenue contributor to our Group among the five segments, which accounting for 56.4% and 69.7% of the Group's total revenue and segment results during the period, as compared to 60.3% and 54.8% over the corresponding period of last year, respectively. During the period, the Company adjusted its product sales strategy to facilitate extension of food chain and enhance the synergy. In addition, through the effective hedging policy and marketing strategy, the Group was able to mitigate the adverse impact of prices increment in raw materials. In particular, significant improvement was attained for the oilseeds processing business, biofuel and biochemical business and brewing materials business. Accordingly, the Group's profit attributable to the owners of the Company reached HK$1,324.3 million, an increase of HK$292.4 million from HK$1,031.9 million in the corresponding period of 2009, and the basic earnings per share rose to 34.3 HK cents from 28.0 HK cents over the same period in last year.

Finance costs increased by 23.2% to HK$145.2 million during the period, which was mainly attributable to the new loans raised to meet the requirement of working capital. Nonetheless, the rise of finance costs lagged behind the loans increment due to the benefit of a low interest rate environment during the period.

Income tax expense was up 48.7% over the corresponding period of last year to HK$375.8 million (six months ended 30 June 2009: HK$252.8 million) which was mainly due to improvement in profit as a result of enhancement of profitability.

Segment Results

For the six months ended 30 June 2010, revenue from the oilseeds processing business amounted to HK$12,801.2 million, representing an increase of 8.2% over the same period of last year under the rebound of oilseeds product prices and considerable increase in sales volume of soybean oil. As the impact of the financial crisis faded, the prices of oilseeds products were picked up, in which 15.4% and 14.3% of growth in selling prices of soybean oil and palm oil were recorded. In the wake of the positive sentiment in the market, the sales volume of soybean oil jumped 30.0%, while the sales of soybean meal dropped because of the unfavourable conditions of livestock industry. Profit margin was improved through enhanced operational management and effective hedging policy. For the six months ended 30 June 2010, the profit margin of the oilseeds processing business was 14.9% (six months ended 30 June 2009: 5.9%). As our oilseeds processing business strives to fortify and enhance its leading position in the industry, coupled with active capacity expansion, the sales volume of oilseeds products is expected to uplift steadily.

Management Discussion and Analysis

For the six months ended 30 June 2010, revenue from the biofuel and biochemical business amounted to HK$4,979.9 million, representing a significant increase of 55.7% over HK$3,198.9 million in the corresponding period last year. The financial crisis had demonstrated its effects to a larger extent last year while the economic recovery has driven up significant improvement in prices and sales volumes of our major products which fueled the revenue growth this year. As for biofuel business, under the effect of upsurge of international oil price, the selling price of fuel ethanol rose 27.5% over the corresponding period of last year. Regarding biochemical business, the prices of starch and sweeteners surged 36.2% and 29.1% respectively and the sales volumes of which jumped over the same period of last year, in turn provoking the growth of revenue. In spite of a rise in raw materials price, the profit margin during the period increased to 14.8% from 9.7% in the corresponding period last year, which was mainly attributable to the increasing demand of starch and sweeteners and the successful transfer of cost increments to customers.

Regarding the rice trading and processing business, a slight drop was recorded for its sales revenue to HK$2,122.1 million during the period from HK$2,173.4 million, which was mainly attributable to the growth of domestic sales business offset by the dip in revenue from export sales business. The Group remained as the largest rice exporter in China. However, the export sales volume dropped by 37.3% during the period due to weak demand of rice from the international markets and relatively large increase in domestic raw materials costs. Nevertheless, domestic sales sustained a rapid growth and increased by 56.9% to 230,000 metric tons during the period as compared with 150,000 metric tons over the corresponding period of last year as a result of our efforts in marketing activities and promotions, expansion of domestic market share and strong development of sales channels. In the meantime, revenue from domestic sales business climbed up 89.3% to HK$925.3 million. During the period, profit margin decreased to 14.2% with the drop in export sales proportion but increase in domestic sales proportion.

Sales revenue of HK$818.0 million was materialised for the brewing materials business for the six months ended 30 June 2010, representing an increase of 10.1% over the same period last year. The surge in revenue was arising from the dramatic increase in sales volume of malt by 21.6% during the period as compared with the corresponding period in last year. Timely procurement was made by the Group during the period with an accurate judgement of the market trend. As a result, the drop in costs of raw material outweighed the drop in product selling prices, leading a surge in profit margin of the brewing materials business to 23.7%, which represents an increase of 18.4 percentage points over the corresponding period of last year. The Group will continue to consolidate customers' network and strengthen marketing efforts in anticipation of enhancement of market share.

During the period, revenue from the wheat processing business rose 17.9% to HK$1,965.4 million, which was mainly benefited from the increases of 5.1% and 6.6% in sales volume and selling price of flour, respectively. Given the relatively large upsurge of raw materials costs and the rise of product prices lagging behind the increasing raw materials cost, the profit margin dropped over the corresponding period of last year. During the period, the profit margin of the wheat processing business was 8.7%, as compared to 10.1% in the corresponding period last year. It is believed that the wheat processing business will continue to grow through capacity expansion, product mix optimisation and development of high-end products.

Management Discussion and Analysis

Material Acquisition

On 26 January 2010, the Group completed the acquisition of the entire issued shares of COFCO (BVI) No.84 Limited from COFCO (Hong Kong) Limited at a consideration of HK$154.8 million, whereby the Group acquired their wholly-owned subsidiary, COFCO (Jiangyin) Cereals, Oil & Warehouse Corporation Limited, as a multi-functional ancillary company. COFCO (Jiangyin) Cereals, Oil & Warehouse Corporation Limited is principally engaged in the provision of logistic services including storage and loading/uploading.

Liquidity and Financial Resources

The Group adheres to 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. During the period, the Group's operations were mainly financed by its own funds and bank loans.

The Group entered into the Financial Services Agreement and the Entrustment Loan Framework Agreement with COFCO Finance Company Limited through 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 and better facilitate intra-Group settlement services. During the period, the Group could enhance the liquidity of cashflows and effectively monitor the cash management through this treasury platform.

On 21 July 2010, the Company entered into the following agreements: (1) Wide Smart Holdings Limited (one of the substantial shareholders) placed 178,000,000 existing shares of the Company at HK$8.75 per share to independent third parties and subscribed for the same amount of new issue of the Company's shares at HK$8.75 per share; and (2) Glory River Holdings Limited ("Glory River") (a wholly-owned subsidiary of the Company) issued HK$ Fixed Rate Guaranteed Convertible Bonds Due 2015 in an aggregate amount of HK$3,875.0 million. The Company has unconditionally and irrevocably guaranteed the due payments of all sums to be payable by Glory River. The respective net proceeds from the above share subscription and the bonds issue of HK$1,524.7 million and HK$3,792.7 million will be used for funding capital expenditure in connection with the expansion of production capacity, working capital and general corporate purposes. All transactions have been completed. The bonds have been listed and quoted on Singapore Exchange Securities Trading Limited with effect from 2 August 2010. The top-up placing of 178,000,000 new shares of the Company was also allotted on the same date. Please refer to the Company's announcements dated 22 July 2010 and 29 July 2010 for further details.

The Group uses commodity futures contracts to timely 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 mitigate 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$5,029.5 million (31 December 2009: HK$5,539.1 million) as at 30 June 2010. During the period, the net cash outflow from operations of approximately HK$419.0 million (year ended 31 December 2009: net cash outflow of HK$3,116.3 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 30 June 2010, the total interest-bearing bank loans and other borrowings amounted to HK$14,213.1 million (31 December 2009: HK$12,829.3 million). The increment in the amount was mainly used for the operation and expansion of the Group. These loans are repayable within the following periods:

	30 June 2010	31 December 2009
	HK$ million	HK$ million
Within one year or on demand	**13,168.9**	11,712.9
In the second year	**788.6**	855.2
In the third to fifth years, inclusive	**255.6**	261.2
	14,213.1	12,829.3

Among the Group's total bank loans and other borrowings, HK$12,521.9 million or 88.1% (31 December 2009: HK$11,118.1 million or 86.7%) are at fixed interest rates. As at 30 June 2010, the Group has pledged assets with an aggregate carrying value of HK$114.3 million (31 December 2009: HK$391.7 million) to secure bank loans and banking facilities of the Group. The Group had unutilised committed banking facilities totalling HK$1,950.0 million (31 December 2009: HK$1,950.0 million) as at 30 June 2010.

Net Gearing Ratio and Liquidity Ratio

The net gearing ratios and liquidity ratios of the Group as at 30 June 2010 and 31 December 2009 are set out below:

	30 June 2010	31 December 2009
Net gearing ratio		
(the ratio of net debt to shareholders' equity)	**53.6%**	46.1%
Liquidity ratio		
(the ratio of current assets to current liabilities)	**1.35**	1.38

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$9,183.6 million (31 December 2009: HK$7,290.2 million) at 30 June 2010.

Capital Expenditures

The total capital expenditures of the Group for the period ended 30 June 2010 were tabulated below:

	30 June 2010	30 June 2009
	HK$ million	HK$ million
Business units:		
Oilseeds processing	**672.3**	142.1
Biofuel and biochemical	**146.1**	176.9
Rice trading and processing	**126.6**	70.1
Wheat processing	**45.3**	52.8
Brewing materials	**267.4**	70.2
Corporate and others	**8.2**	2.0
	1,265.9	514.1

Capital Commitments

Capital commitments outstanding and not provided for in the condensed consolidated interim financial information of the Group as at 30 June 2010 amounted to HK$9,309.6 million (31 December 2009: HK$6,444.3 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:

	30 June 2010	31 December 2009
	HK$ million	HK$ million
Capital commitments in respect of property, plant and equipment:		
Authorised, but not contracted for	**7,041.1**	5,442.9
Contracted, but not provided for	**2,268.5**	1,001.4
	9,309.6	6,444.3

Human Resources

The Group employed 19,456 staff (31 December 2009: 16,485) at 30 June 2010:

	30 June 2010	31 December 2009
	Number of staff	Number of staff
Business units:		
Biofuel and biochemical	**8,071**	7,910
Oilseeds processing	**5,363**	3,790
Rice trading and processing	**2,237**	1,063
Wheat processing	**3,075**	3,095
Brewing materials	**614**	544
Corporate	**96**	83
	19,456	16,485

The Group's employees are remunerated according to job nature, individual performance and market trends with built-in merit components. Total remuneration (including directors' remuneration) for the six months ended 30 June 2010 amounted to approximately HK$480.8 million (six months ended 30 June 2009: HK$364.5 million).

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

Outlook

Building on our strong and sound financial position, the Group, facing fearlessly the uncertain economic environment, continues to make available to their customers one-stop services through capacity expansion, enhancement of self-owned brands and expansion of domestic and overseas markets, particularly in connection with "Rice, Wheat Flour and Oils" business development, with a view to fortifying its leading position as a fully integrated oil and grain enterprise.

Front row from right: NING Gaoning, YU Xubo, LU Jun, CHI Jingtao

Back row from right: YUE Guojun, MA Wangjun, Patrick Vincent VIZZONE, Victor YANG, LAM Wai Hon Ambrose

Hong Kong, 25 August 2010

Corporate Governance and Other Information

Share Option Scheme

Movements of the share options, which were granted under the share option scheme of the Company, during the period are set out below:

Category of participants	Date of grant (d–m–yyyy)	Exercise price per share (HK$)	Vesting date (d–m–yyyy)	Exercise period (d–m–yyyy)	Number of share options: At 1 January 2010	Exercised	Lapsed	At 30 June 2010
(A) Directors								
NING Gaoning	7–8–2007	4.666	7–8–2009	7–8–2009 to 6–8–2014	140,000	–	–	140,000
			7–8–2010	7–8–2010 to 6–8–2014	140,000	–	–	140,000
			7–8–2011	7–8–2011 to 6–8–2014	140,000	–	–	140,000
			7–8–2012	7–8–2012 to 6–8–2014	140,000	–	–	140,000
			7–8–2013	7–8–2013 to 6–8–2014	140,000	–	–	140,000
					700,000	–	–	700,000
YU Xubo	7–8–2007	4.666	7–8–2009	7–8–2009 to 6–8–2014	140,000	–	–	140,000
			7–8–2010	7–8–2010 to 6–8–2014	140,000	–	–	140,000
			7–8–2011	7–8–2011 to 6–8–2014	140,000	–	–	140,000
			7–8–2012	7–8–2012 to 6–8–2014	140,000	–	–	140,000
			7–8–2013	7–8–2013 to 6–8–2014	140,000	–	–	140,000
					700,000	–	–	700,000
LU Jun	7–8–2007	4.666	7–8–2009	7–8–2009 to 6–8–2014	–	–	–	–
			7–8–2010	7–8–2010 to 6–8–2014	130,000	–	–	130,000
			7–8–2011	7–8–2011 to 6–8–2014	130,000	–	–	130,000
			7–8–2012	7–8–2012 to 6–8–2014	130,000	–	–	130,000
			7–8–2013	7–8–2013 to 6–8–2014	130,000	–	–	130,000
					520,000	–	–	520,000
YUE Guojun	7–8–2007	4.666	7–8–2009	7–8–2009 to 6–8–2014	130,000	–	–	130,000
			7–8–2010	7–8–2010 to 6–8–2014	130,000	–	–	130,000
			7–8–2011	7–8–2011 to 6–8–2014	130,000	–	–	130,000
			7–8–2012	7–8–2012 to 6–8–2014	130,000	–	–	130,000
			7–8–2013	7–8–2013 to 6–8–2014	130,000	–	–	130,000
					650,000	–	–	650,000

Category of participants	Date of grant (d–m–yyyy)	Exercise price per share (HK$)	Vesting date (d–m–yyyy)	Exercise period (d–m–yyyy)	Number of share options At 1 January 2010	Exercised	Lapsed	At 30 June 2010
CHI Jingtao	7–8–2007	4.666	7–8–2009	7–8–2009 to 6–8–2014	120,000	120,000	–	–
			7–8–2010	7–8–2010 to 6–8–2014	120,000	–	–	120,000
			7–8–2011	7–8–2011 to 6–8–2014	120,000	–	–	120,000
			7–8–2012	7–8–2012 to 6–8–2014	120,000	–	–	120,000
			7–8–2013	7–8–2013 to 6–8–2014	120,000	–	–	120,000
					600,000	120,000	–	480,000
MA Wangjun	7–8–2007	4.666	7–8–2009	7–8–2009 to 6–8–2014	120,000	–	–	120,000
			7–8–2010	7–8–2010 to 6–8–2014	120,000	–	–	120,000
			7–8–2011	7–8–2011 to 6–8–2014	120,000	–	–	120,000
			7–8–2012	7–8–2012 to 6–8–2014	120,000	–	–	120,000
			7–8–2013	7–8–2013 to 6–8–2014	120,000	–	–	120,000
					600,000	–	–	600,000
(B) Employees of the Group	7–8–2007	4.666	7–8–2009	7–8–2009 to 6–8–2014	3,753,700	1,577,000	37,700	2,139,000
			7–8–2010	7–8–2010 to 6–8–2014	4,580,000	–	–	4,580,000
			7–8–2011	7–8–2011 to 6–8–2014	4,580,000	–	–	4,580,000
			7–8–2012	7–8–2012 to 6–8–2014	4,580,000	–	–	4,580,000
			7–8–2013	7–8–2013 to 6–8–2014	4,580,000	–	–	4,580,000
					22,073,700	1,577,000	37,700	20,459,000
	Total				25,843,700	1,697,000	37,700	24,109,000

Notes:

1. The amended vesting schedule under the share option scheme of the Company was approved by the shareholders on 25 May 2010 and the resulting amendments to the terms of the share options granted took effect accordingly.

2. Weighted average closing price of the Company's shares immediately before the date on which the options were exercised by the Director was HK$10.78.

3. Weighted average closing price of the Company's shares immediately before the date on which the options were exercised by the employees was HK$10.97.

Additional information in relation to the share option scheme is set out in note 13 to the condensed consolidated interim financial information.

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

As at 30 June 2010, the interests and short positions of the Directors in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") (together, "Discloseable Interests") were as follows:

Interests in Underlying Shares of the Company

Name	Capacity	Number of underlying shares held *(Note 1)*	Percentage *(Note 2)*
NING Gaoning	Beneficial owner	700,000	0.02%
YU Xubo	Beneficial owner	700,000	0.02%
LU Jun	Beneficial owner	520,000	0.01%
YUE Guojun	Beneficial owner	650,000	0.02%
CHI Jingtao	Beneficial owner	480,000	0.01%
MA Wangjun	Beneficial owner	600,000	0.02%

Notes:

1. Interests in the underlying shares are long positions. Those are share options granted pursuant to the share option scheme of the Company, particulars of which are set out under the section "Share Option Scheme".

2. The percentage of interests is calculated based on the total number of shares of the Company in issue as at 30 June 2010, being 3,860,281,839 shares.

Interests in Underlying Shares of Associated Corporation

Name	Name of associated corporation	Capacity	Number of underlying shares held *(Note 1)*	Percentage *(Note 2)*
NING Gaoning	China Foods Limited	Beneficial owner	880,000	0.03%

Notes:

1. Interests in the underlying shares are long positions. Those are share options granted by China Foods Limited on 27 September 2007 at an exercise price of HK$4.952 per share and, subject to a vesting schedule, exercisable during the period from 27 September 2009 to 26 September 2014.

2. The percentage of interests is calculated based on the total number of shares of China Foods Limited in issue as at 30 June 2010, being 2,792,459,756 shares.

Save as disclosed above, as at 30 June 2010, none of the Directors, chief executives or their respective associates had any other Discloseable Interests.

Substantial Shareholders' Interests in Shares of the Company

As at 30 June 2010, the following persons had an interest or short position in the shares and underlying shares of the Company as recorded in the register kept by the Company under section 336 of the SFO:

Name	Capacity	Number of shares held *(Note 1)*	Percentage *(Note 2)*
Wide Smart Holdings Limited	Beneficial owner	1,922,550,331	49.80%
COFCO (BVI) No.108 Limited	Beneficial owner	140,000,000	3.63%
COFCO (Hong Kong) Limited	Beneficial owner	273,764,483	7.09%
	Interest of controlled corporations *(Note 3)*	2,062,550,331	53.43%
COFCO Corporation	Interest of controlled corporations *(Note 4)*	2,336,314,814	60.52%

Notes:

1. Long positions in the shares of the Company.

2. The percentage of interests is calculated based on the total number of shares of the Company in issue as at 30 June 2010, being 3,860,281,839 shares.

3. COFCO (Hong Kong) Limited is deemed to be interested in any shares held by Wide Smart Holdings Limited and COFCO (BVI) No.108 Limited, as it is entitled to control the exercise of or exercise one-third or more of the voting power at their general meetings.

4. COFCO Corporation is deemed to be interested in any shares held by Wide Smart Holdings Limited, COFCO (BVI) No.108 Limited and COFCO (Hong Kong) Limited, as it is entitled to control the exercise of or exercise one-third or more of the voting power at their general meetings.

Save as disclosed above, as at 30 June 2010, so far as was known to the Directors, no other persons had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register kept by the Company under section 336 of the SFO.

Purchase, Sale or Redemption of Listed Securities of the Company

During the six months ended 30 June 2010, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.

Model Code

The Company has adopted the Model Code as the principal standards of securities transactions for Directors. Upon specific enquiries of all the Directors, each of them confirmed that they have complied with the required standards set out in the Model Code during the six months ended 30 June 2010.

The Company has also adopted a code for securities transactions by relevant employees based on the Model Code concerning dealings by employees in the securities of the Company. Specified employees who are likely to be in possession of unpublished price-sensitive information related to the Group and its activities must comply with guidelines as exacting as those set out in the Model Code. During the first half of 2010, the Company has not received any non-compliance report from any of such employees.

Corporate Governance

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

The Company has complied throughout the six months ended 30 June 2010 with all the applicable code provisions and, where appropriate, the applicable recommended best practices of the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules except for the absence of the Chairman of the Board at the annual general meeting of the Company held on 25 May 2010 due to another business commitment.

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

Directors Re-elected at the Annual General Meeting

At the annual general meeting of the Company held on 25 May 2010, the Company re-elected Mr. YU Xubo as an executive Director and the managing Director, Mr. CHI Jingtao as a non-executive Director, and Mr. LAM Wai Hon, Ambrose as an independent non-executive Director. Please refer to Appendix III to the Company's circular dated 22 April 2010 for their biographies and other information.

Changes in Information of Directors

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of Directors subsequent to the date of the 2009 Annual Report are set out below:

Mr. YU Xubo has been a director of Glory River Holdings Limited, a wholly-owned subsidiary of the Company and whose HK$ Fixed Rate Guaranteed Convertible Bonds due 2015 in an aggregate principal amount of HK$3,875.0 million have been listed and quoted on the Singapore Exchange Securities Trading Limited since 2 August 2010.

Mr. LU Jun was promoted to vice president of COFCO Corporation in May 2010.

Mr. CHI Jingtao was promoted to vice president of COFCO Corporation in May 2010. He is also COFCO Corporation's head of human resources department.

Mr. MA Wangjun was promoted to assistant president and vice chief financial officer of COFCO Corporation in May 2010.

Review of Interim Results

The unaudited condensed consolidated interim financial information of the Company for the six months ended 30 June 2010 have been reviewed by the Audit Committee of the Company and our external auditors, Ernst & Young.

Interim Dividend

The Board has declared the payment of an interim dividend of 6.6 HK cents (six months ended 30 June 2009: 6.7 HK cents) per share for the six months ended 30 June 2010 payable on Wednesday, 29 September 2010 to shareholders whose names appear on the register of members of the Company on Tuesday, 14 September 2010.

Closure of Register of Members

The register of members of the Company will be closed on Monday, 13 September 2010 and Tuesday, 14 September 2010, during which period no transfers of shares will be registered. In order to be qualified for entitlement to the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the share registrar and transfer office of the Company, Tricor Progressive Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong by 4:00 p.m. on Friday, 10 September 2010.

Investor Relations

As one of China's leading integrated agricultural food processing enterprises, the Company is committed to the supply of safe, nutritious, premium quality and healthy products, at reasonable prices. By the same token, the Company as a listed company regards its relations with existing and potential investors as a matter of foremost importance, and is dedicated to maximising shareholder value through effective mutual communications, proactive and timely disclosure of information and highly transparent operations.

The Company values investors' views and public opinion and has been collecting them via a number of platforms since its listing in 2007. We also facilitate two-way communications through activities such as: presentations of annual and interim results where analysts and the media are encouraged to ask questions; analysts' briefings broadcast on the Internet as a means to communicate with overseas investors; conference calls, luncheons and non-deal roadshows on a regular basis which provide investors with updates on the Company's latest business development.

The Company is well recognised among leading institutions and the media for its efforts in corporate governance and investor relations. During the period under review, the Company came second in the "Best Corporate Governance (Greater China)" category of the "2010 IR Global Rankings" and also received, for the third year in a row, the "Annual Recognition Awards" from Corporate Governance Asia.

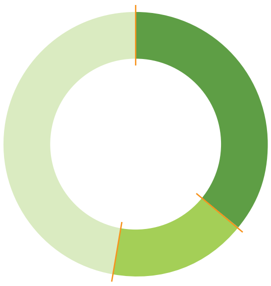
The Company has been selected as a constituent of several key benchmark indexes, including the Hang Seng Composite Index, Hang Seng Composite Industry Index – Consumer Goods, Hang Seng Composite MidCap Index, Hang Seng China-Affiliated Corporations Index, Hang Seng Mainland 100 and FTSE Environmental Opportunities Index Series. In July this year, the Company was further included by Hang Seng Indexes Company Limited as a constituent of its new Hang Seng Corporate Sustainability Index, in recognition of its efforts and achievements in three areas for sustainable development: environmental protection, social responsibility and corporate governance.

Our business performance is covered by numerous investment banks and financial institutions. For a complete list of analysts tracking the Company, please visit our website at www.chinaagri.com.

We review the Company's ownership structure on a regular basis to identify the mix of various investors. The geographical distribution of our top 20 investors is shown below:

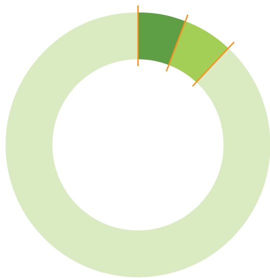
By number of investors

- North America 36%
- Europe 17%
- Asia Pacific 47%



By number of shares

- North America 6%
- Europe 6%
- Asia Pacific 88%



Report on Review of Interim Financial Information

ERNST & YOUNG
安永會計師事務所

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

Introduction

We have reviewed the interim financial information set out on pages 33 to 60 which comprises the condensed consolidated statement of financial position of China Agri-Industries Holdings Limited as at 30 June 2010 and the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

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

Scope of Review

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

Conclusion

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

Ernst & Young
Certified Public Accountants

18th Floor
Two International Finance Centre
8 Finance Street
Central
Hong Kong

25 August 2010

Condensed Consolidated Interim Financial Information

Condensed Consolidated Income Statement

For the six months ended 30 June 2010

		For the six months ended 30 June	
		2010	2009
		HK$'000	HK$'000
	Notes	(Unaudited)	(Unaudited)
REVENUE	4	22,686,521	19,616,588
Cost of sales	6	(19,378,724)	(17,928,771)
Gross profit		3,307,797	1,687,817
Other income and gains	4	510,556	669,245
Selling and distribution costs		(977,063)	(728,957)
Administrative expenses		(498,662)	(359,675)
Other expenses		(7,335)	(10,394)
Finance costs	5	(145,189)	(117,842)
Share of profits of associates		97,162	283,913
PROFIT BEFORE TAX	6	2,287,266	1,424,107
Income tax expense	7	(375,831)	(252,818)
PROFIT FOR THE PERIOD		1,911,435	1,171,289
Attributable to:			
Owners of the Company		1,324,349	1,031,930
Minority interests		587,086	139,359
		1,911,435	1,171,289
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	9		
Basic		34.3 HK cents	28.0 HK cents
Diluted		34.2 HK cents	28.0 HK cents

Details of the dividend payable and proposed for the period are disclosed in note 8 to the financial information.

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2010

	For the six months ended 30 June	
	2010 HK$'000 (Unaudited)	2009 HK$'000 (Unaudited)
PROFIT FOR THE PERIOD	1,911,435	1,171,289
Exchange difference on translation of financial statements of overseas entities	136,767	15,739
Other comprehensive income for the period, net of tax	136,767	15,739
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	2,048,202	1,187,028
Attributable to:		
Owners of the Company	1,435,390	1,047,177
Minority interests	612,812	139,851
	2,048,202	1,187,028

Condensed Consolidated Statement of Financial Position

30 June 2010

	Notes	30 June 2010 HK$'000 (Unaudited)	31 December 2009 HK$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	10,411,721	9,572,103
Prepaid land premiums		1,186,031	1,038,265
Deposits for purchases of items of property, plant and equipment		464,674	301,590
Goodwill		1,020,635	1,020,635
Interests in associates		1,703,309	1,644,724
Available-for-sale investment		2,731	2,728
Intangible assets		35,861	36,134
Deferred tax assets		131,160	222,172
Total non-current assets		14,956,122	13,838,351
CURRENT ASSETS			
Inventories		11,760,388	7,031,225
Accounts and bills receivables	11	2,447,029	1,921,473
Prepayments, deposits and other receivables		5,271,271	3,759,310
Available-for-sale investment		22,925	–
Derivative financial instruments		392,180	10,211
Due from fellow subsidiaries	15	1,199,624	3,103,759
Due from related companies	15	9,673	57,938
Due from the ultimate holding company	15	480	214
Due from minority shareholders of subsidiaries	15	5,790	28,734
Due from associates	15	876,563	683,028
Tax recoverable		194,093	118,307
Pledged deposits		89,137	23,784
Cash and cash equivalents		4,940,391	5,515,280
Total current assets		27,209,544	22,253,263
CURRENT LIABILITIES			
Accounts and bills payables	12	3,820,414	1,270,984
Other payables and accruals		2,440,717	1,865,747
Deferred income		14,183	12,649
Derivative financial instruments		3,321	855,246
Interest-bearing bank and other borrowings		13,168,890	11,712,861
Due to fellow subsidiaries	15	318,760	128,784
Due to the ultimate holding company	15	5,843	–
Due to an intermediate holding company	15	5	–
Due to related companies	15	207,262	15,886
Due to minority shareholders of subsidiaries	15	22,672	36,165
Due to associates	15	44,589	139,473
Tax payable		65,904	98,513
Total current liabilities		20,112,560	16,136,308
NET CURRENT ASSETS		7,096,984	6,116,955
TOTAL ASSETS LESS CURRENT LIABILITIES		22,053,106	19,955,306

Condensed Consolidated Statement of Financial Position

30 June 2010

	Notes	30 June 2010 HK$'000 (Unaudited)	31 December 2009 HK$'000 (Audited)
TOTAL ASSETS LESS CURRENT LIABILITIES		22,053,106	19,955,306
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		1,044,200	1,116,411
Due to minority shareholders of subsidiaries	15	201,442	129,606
Long term payable		–	5,918
Deferred income		249,934	111,092
Deferred tax liabilities		310,650	196,742
Total non-current liabilities		1,806,226	1,559,769
Net assets		20,246,880	18,395,537
EQUITY			
Equity attributable to owners of the Company			
Issued capital	13	386,028	385,858
Reserves		16,466,686	15,216,531
Proposed dividend		266,527	227,657
		17,119,241	15,830,046
Minority interests		3,127,639	2,565,491
Total equity		20,246,880	18,395,537

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2010

	Notes	Issued capital HK$'000 (Unaudited)	Share premium HK$'000 (Unaudited)	Capital reserve HK$'000 (Unaudited)	Employee share-based compensation reserve HK$'000 (Unaudited)	Reserve funds HK$'000 (Unaudited)	Exchange fluctuation reserve HK$'000 (Unaudited)	Retained profits HK$'000 (Unaudited)	Proposed dividend HK$'000 (Unaudited)	Total HK$'000 (Unaudited)	Minority interests HK$'000 (Unaudited)	Total equity HK$'000 (Unaudited)
		Attributable to owners of the Company										
At 1 January 2010		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
Total comprehensive income for the period		–	–	–	–	–	111,041	1,324,349	–	1,435,390	612,812	2,048,202
Transfer from retained profits		–	–	–	–	73,837	–	(73,837)	–	–	–	–
Equity-settled share option arrangements	13	–	–	–	3,392	–	–	–	–	3,392	–	3,392
Contribution from the ultimate holding company		–	–	70,281	–	–	–	–	–	70,281	–	70,281
Exercise of share options	13	170	10,559	–	(2,810)	–	–	–	–	7,919	–	7,919
Share issue expenses		–	(30)	–	–	–	–	–	–	(30)	–	(30)
Dividends paid to minority shareholders of subsidiaries		–	–	–	–	–	–	–	–	–	(50,664)	(50,664)
2009 final dividend declared		–	–	–	–	–	–	(100)	(227,657)	(227,757)	–	(227,757)
Proposed 2010 interim dividend	8	–	–	–	–	–	–	(266,527)	266,527	–	–	–
At 30 June 2010		386,028	3,767,756*	4,824,980*	34,338*	597,193*	1,368,106*	5,874,313*	266,527	17,119,241	3,127,639	20,246,880

* These reserve accounts comprise the consolidated reserves of HK$16,466,686,000 (31 December 2009: HK$15,216,531,000) in the condensed consolidated statement of financial position.

	Notes	Issued capital HK$'000 (Unaudited)	Share premium HK$'000 (Unaudited)	Capital reserve HK$'000 (Unaudited)	Employee share-based compensation reserve HK$'000 (Unaudited)	Reserve funds HK$'000 (Unaudited)	Exchange fluctuation reserve HK$'000 (Unaudited)	Retained profits HK$'000 (Unaudited)	Proposed dividend HK$'000 (Unaudited)	Total HK$'000 (Unaudited)	Minority interests HK$'000 (Unaudited)	Total equity HK$'000 (Unaudited)
		Attributable to owners of the Company										
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 period		–	–	–	–	–	15,247	1,031,930	–	1,047,177	139,851	1,187,028
Transfer from retained profits		–	–	–	–	172,462	–	(172,462)	–	–	–	–
Equity-settled share option arrangements	13	–	–	–	6,662	–	–	–	–	6,662	–	6,662
Contribution from minority shareholders		–	–	–	–	–	–	–	–	–	182,628	182,628
Acquisition of a subsidiary	14	–	–	–	–	–	–	–	–	–	208,855	208,855
Dividends paid to minority shareholders		–	–	–	–	–	–	–	–	–	(16,440)	(16,440)
Issue of shares	14	26,362	1,004,417	–	–	–	–	–	–	1,030,779	–	1,030,779
Share issue expenses		–	(30)	–	–	–	–	–	–	(30)	–	(30)
2008 final dividend declared		–	–	–	–	–	–	–	(524,624)	(524,624)	–	(524,624)
Proposed 2009 interim dividend	8	–	–	–	–	–	–	(258,475)	258,475	–	–	–
At 30 June 2009		385,753	3,750,686	4,754,699	29,621	484,715	1,261,843	4,236,594	258,475	15,162,386	2,857,903	18,020,289

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2010

	For the six months ended 30 June	
	2010	2009
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
NET CASH FLOWS USED IN OPERATING ACTIVITIES	(419,027)	(1,404,688)
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(1,396,356)	(623,926)
NET CASH FLOWS FROM FINANCING ACTIVITIES	1,195,045	2,988,106
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(620,338)	959,492
Cash and cash equivalents at beginning of period	5,515,280	4,894,435
Effects of foreign exchange rate changes, net	45,449	7,826
CASH AND CASH EQUIVALENTS AT END OF PERIOD	4,940,391	5,861,753
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	4,092,417	4,692,610
Non-pledged time deposits with original maturity of less than three months when acquired	847,974	1,169,143
CASH AND CASH EQUIVALENTS AT END OF PERIOD	4,940,391	5,861,753

Notes to the Condensed Consolidated Interim Financial Information

30 June 2010

1. Corporate Information

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

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

- oilseeds processing;
- production and sale of 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, which is a state-owned enterprise registered in the People's Republic of China (the "PRC").

2. Basis of Preparation and Accounting Policies

The condensed consolidated interim financial information is prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The accounting policies and basis of preparation adopted in the preparation of the interim financial information are the same as those used in the annual financial statements of the Group for the year ended 31 December 2009, except in relation to the following new Hong Kong Financial Reporting Standards ("HKFRSs") (which include all HKFRSs, Hong Kong Accounting Standards and Interpretations) that affect the Group and are adopted by the Group for the first time for the current period's financial information:

HKFRS 1 (Revised)	*First-time Adoption of Hong Kong Financial Reporting Standards*
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Group Cash-settled Share-based Payment Transactions*
HKFRS 3 (Revised)	*Business Combinations*
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*
HK(IFRIC)-Int 17	*Distributions of Non-cash Assets to Owners*
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*
HK Interpretation 4 (Revised in December 2009)	*Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases*

The adoption of the above new and revised HKFRS has had no significant impact on the accounting policies of the Group and the methods of computation in the Group's condensed consolidated interim financial information.

3. Operating Segment Information

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

(a) the oilseeds processing segment engages in the extraction, refining and trading of edible oil and related products;

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

(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, principally, the Group's corporate income and expense items.

No operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of the Group's business units separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects is measured differently from operating profit or loss in the consolidated financial information. Group finance (including finance costs and interest income), excess over the cost of business combination and income tax expense are managed on a group basis and are not allocated to operating segments.

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 period, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue.

3. Operating Segment Information (Continued)

The following tables present revenue and profit information regarding the Group's operating segments for the six months ended 30 June 2010 and 2009, respectively.

Six months ended 30 June 2010

	Oilseeds processing HK$'000 (Unaudited)	Brewing materials HK$'000 (Unaudited)	Rice trading and processing HK$'000 (Unaudited)	Wheat processing HK$'000 (Unaudited)	Biofuel and biochemical HK$'000 (Unaudited)	Corporate and others HK$'000 (Unaudited)	Eliminations HK$'000 (Unaudited)	Total HK$'000 (Unaudited)
Segment revenue:								
Sales to external customers	12,801,189	817,988	2,122,065	1,965,380	4,979,899	–	–	22,686,521
Intersegment sales	–	–	–	505	3,187	–	(3,692)	–
Other revenue	104,804	8,196	65,642	4,161	303,816	–	(7,717)	478,902
Segment results	1,605,434	126,159	80,499	53,439	492,358	(54,250)	–	2,303,639
Interest income								21,982
Excess over the cost of business combination								9,672
Finance costs								(145,189)
Share of profits of associates	73,974	–	–	969	22,219	–	–	97,162
Profit before tax								2,287,266
Income tax expense								(375,831)
Profit for the period								1,911,435
Assets and liabilities								
Segment assets	17,413,577	2,589,600	4,184,726	2,543,185	8,416,431	8,006,480	(8,046,423)	35,107,576
Interests in associates	1,295,920	–	–	41,817	365,572	–	–	1,703,309
Unallocated assets								5,354,781
Total assets								42,165,666
Segment liabilities	6,001,621	1,171,833	2,476,503	1,679,376	3,770,300	275,932	(8,046,423)	7,329,142
Unallocated liabilities								14,589,644
Total liabilities								21,918,786
Other segment information								
Depreciation and amortisation	107,229	37,628	19,777	26,130	170,056	1,423	–	362,243
Capital expenditure	672,325	267,415	126,589	45,255	146,134	8,222	–	1,265,940

3. Operating Segment Information (Continued)

Six months ended 30 June 2009

	Oilseeds processing HK$'000 (Unaudited)	Brewing materials HK$'000 (Unaudited)	Rice trading and processing HK$'000 (Unaudited)	Wheat processing HK$'000 (Unaudited)	Biofuel and biochemical HK$'000 (Unaudited)	Corporate and others HK$'000 (Unaudited)	Eliminations HK$'000 (Unaudited)	Total HK$'000 (Unaudited)
Segment revenue:								
Sales to external customers	11,835,178	742,629	2,173,458	1,666,462	3,198,861	–	–	19,616,588
Intersegment sales	5,728	–	88	–	–	–	(5,816)	–
Other revenue	221,476	19,664	2,957	2,414	368,085	–	–	614,596
Segment results	659,963	(3,504)	232,547	61,869	300,318	(47,806)	–	1,203,387
Interest income								16,802
Excess over the cost of business combinations								37,847
Finance costs								(117,842)
Share of profits of associates	259,359	–	–	1,953	22,601	–	–	283,913
Profit before tax								1,424,107
Income tax expense								(252,818)
Profit for the period								1,171,289
Assets and liabilities								
Segment assets	13,469,931	2,217,298	1,488,131	1,425,949	7,014,000	9,928,428	(10,117,940)	25,425,797
Interests in associates	1,430,474	–	–	49,063	385,664	–	–	1,865,201
Unallocated assets								6,087,560
Total assets								33,378,558
Segment liabilities	4,485,580	747,413	1,312,838	1,042,432	3,173,474	4,190,352	(10,117,940)	4,834,149
Unallocated liabilities								10,524,120
Total liabilities								15,358,269
Other segment information								
Depreciation and amortisation	107,390	37,126	11,131	18,973	151,233	847	–	326,700
Capital expenditure	142,131	70,228	70,084	52,846	176,848	2,012	–	514,149

4. Revenue, Other Income and Gains

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

An analysis of other income and gains is as follows:

	For the six months ended 30 June	
	2010 HK$'000 (Unaudited)	2009 HK$'000 (Unaudited)
Other income		
Government grants*	351,448	453,895
Agency commission	–	621
Interest income	21,982	16,802
Compensation income	804	53,399
Others	5,810	7,435
	380,044	532,152
Gains		
Gains on disposal of raw materials, by-products and scrap items	24,329	13,636
Fair value gains on foreign currency forward contracts, net	568	–
Gains on foreign exchange, net	90,120	57,387
Excess over the cost of business combinations (note 14)	9,672	37,847
Reversal of impairment of receivables	390	909
Logistic service and storage income	2,361	21,053
Others	3,072	6,261
	130,512	137,093
	510,556	669,245

* Various government grants have been received for the sale of certain government approved products and for investments in certain provinces in Mainland China, which are available for industries or locations in which the Company's subsidiaries operate. Pursuant to relevant notices issued by the Finance Bureau of the PRC for fuel ethanol producers, COFCO Bio-Energy (Zhaodong) Co., Ltd. and Guangxi COFCO Bio-Energy Co., Ltd. are entitled to a financial grant based on the quantity of fuel ethanol produced and sold. An amount of HK$277,797,000 (30 June 2009: HK$339,005,000) has been included in the government grants for the period. There are no unfulfilled conditions or contingencies relating to these grants.

5. Finance Costs

	For the six months ended 30 June	
	2010 HK$'000 (Unaudited)	2009 HK$'000 (Unaudited)
Interest on:		
Bank loans wholly repayable within five years	132,025	112,638
Bank loans wholly repayable over five years	1,054	–
Loans from fellow subsidiaries	14,003	5,204
Total interest expense on financial liabilities not at fair value through profit or loss	147,082	117,842
Less: Interest capitalised	(1,893)	–
	145,189	117,842

6. Profit Before Tax

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

	For the six months ended 30 June	
	2010 HK$'000 (Unaudited)	2009 HK$'000 (Unaudited)
Cost of inventories sold	20,754,005	16,908,009
Realised fair value losses/(gains) of derivative financial instruments, net	(1,271,802)	722,430
Unrealised fair value losses/(gains) of derivative financial instruments, net	(385,908)	103,899
Provision/(reversal of provision) against inventories	87,305	(5,215)
Provision for loss on purchase commitments*	195,124	199,648
Cost of sales	19,378,724	17,928,771
Depreciation	347,504	318,831
Amortisation of intangible assets	731	304
Recognition of prepaid land premiums	14,008	7,565
Employee benefit expenses (including directors' remuneration)	480,820	364,533
Loss on disposal of items of property, plant and equipment (note 10)	1,918	5,323
Fair value losses/(gains) on foreign currency forward contracts, net	(568)	3,448

* It is the Group's usual practice to enter into purchase contracts with delivery of raw materials at a specified future date. As at 30 June 2010, the Group had certain purchase commitments of raw materials (the "Purchase Contracts") on which the Group expects a loss as the unavoidable costs of meeting obligations under the Purchase Contracts will exceed the economic benefits expected to be received under it. The loss of HK$195,124,000 (30 June 2009: HK$199,648,000) is estimated by the Directors with reference to the expected selling price of the corresponding products, and a provision thereon has been made in the condensed consolidated interim financial information for the six months ended 30 June 2010. This provision is included in "other payables and accruals" on the face of the condensed consolidated statement of financial position. The Directors of the Company consider that these losses are resulted in the Group's ordinary course of business.

7. Income Tax Expense

Hong Kong profits tax has been provided at the rate of 16.5% (30 June 2009: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Under the relevant PRC income tax law, except for certain preferential treatment available to the Group, the PRC subsidiaries of the Group are subject to income tax at a rate of 25% (30 June 2009: 25%) on their respective taxable income.

	For the six months ended 30 June	
	2010 HK$'000 (Unaudited)	2009 HK$'000 (Unaudited)
Current – Hong Kong		
Provision for the period	12,318	80,042
Current – Mainland China		
Provision for the period	159,312	180,464
Underprovision in prior periods	4,912	4,037
Tax rebates	–	(2,604)
Deferred tax	199,289	(9,121)
Total tax charge for the period	375,831	252,818

8. Dividend

On 25 August 2010, the board of directors declared an interim dividend of 6.6 HK cents (30 June 2009: 6.7 HK cents) per ordinary share, amounting to a total of HK$266,526,600 (30 June 2009: HK$258,474,700).

The amount of the interim dividend per ordinary share for the six months ended 30 June 2010 is calculated based on the number of issued ordinary shares as at 30 June 2010 and 178,000,000 ordinary shares newly issued to Wide Smart Holdings Limited, which was completed on 2 August 2010 (note 18).

The amount of the interim dividend per ordinary share for the six months ended 30 June 2009 was calculated based on the number of issued ordinary shares as at 30 June 2009.

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

The calculation of the basic earnings per share amount for the period ended 30 June 2010 is based on the profit attributable to ordinary equity holders of the Company of HK$1,324,349,000 (30 June 2009: HK$1,031,930,000), and the weighted average number of 3,860,184,662 ordinary shares (30 June 2009: 3,687,122,350 ordinary shares) in issue during the period.

The calculation of the diluted earnings per share amount is based on the profit for the period 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 period, 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:

	Number of shares for the six months ended 30 June	
	2010 (Unaudited)	2009 (Unaudited)
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	3,860,184,662	3,687,122,350
Weighted average number of ordinary shares:		
Assumed issued at no consideration on deemed exercise of all share options outstanding during the period	12,487,220	–
Weighted average number of ordinary shares used in the diluted earnings per share calculation	3,872,671,882	3,687,122,350

No adjustment has been made to the basic earnings per share amount presented for the period ended 30 June 2009 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic earnings per share amount presented.

10. Property, Plant and Equipment

During the six months ended 30 June 2010, the Group acquired items of property, plant and equipment with a total cost of HK$927,827,000 (30 June 2009: HK$425,123,000), not including property, plant and equipment acquired through business combinations.

Items of property, plant and equipment with a net book value of HK$17,810,000 (30 June 2009: HK$11,163,000) were disposed of by the Group during the six months ended 30 June 2010, resulting in a net loss on disposal of HK$1,918,000 (30 June 2009: HK$5,323,000).

11. Accounts and Bills Receivables

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally for 30 to 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.

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

	30 June 2010 HK$'000 (Unaudited)	31 December 2009 HK$'000 (Audited)
Outstanding balances with ages:		
Within 3 months	1,993,020	1,680,066
3 to 12 months	452,655	240,535
1 to 2 years	1,334	851
Over 2 years	20	21
	2,447,029	1,921,473

12. Accounts and Bills Payables

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

	30 June 2010 HK$'000 (Unaudited)	31 December 2009 HK$'000 (Audited)
Outstanding balances with ages:		
Within 3 months	3,601,184	1,061,408
3 to 12 months	209,821	201,031
1 to 2 years	5,237	6,850
Over 2 years	4,172	1,695
	3,820,414	1,270,984

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

13. Share Capital

Shares

	30 June 2010 HK$'000 (Unaudited)	31 December 2009 HK$'000 (Audited)
Authorised:		
10,000,000,000 (31 December 2009: 4,000,000,000) ordinary shares of HK$0.1 each	1,000,000	400,000
Issued and fully paid:		
3,860,281,839 (31 December 2009: 3,858,584,839) ordinary shares of HK$0.1 each	386,028	385,858

The following changes in the Company's authorised and issued share capital took place during the period:

	Notes	Number of ordinary shares (Unaudited)	Nominal value of ordinary shares HK$'000 (Unaudited)
Authorised:			
At 1 January 2010		4,000,000,000	400,000
Increase in authorised share capital	(a)	6,000,000,000	600,000
At 30 June 2010		10,000,000,000	1,000,000
Issued:			
At 1 January 2010		3,858,584,839	385,858
Share options exercised	(b)	1,697,000	170
At 30 June 2010		3,860,281,839	386,028

Notes:

(a) Pursuant to an ordinary resolution passed on 25 May 2010 in the annual general meeting of the shareholders, the authorised share capital of the Company was increased by HK$600,000,000 from HK$400,000,000 to HK$1,000,000,000 by creation of 6,000,000,000 additional shares, ranking pari passu in all respects with the existing issued and unissued shares of the Company.

(b) The subscription rights attaching to 1,697,000 share options were exercised at the subscription price of HK$4.666 per share, resulting in the issue of 1,697,000 shares of HK$0.1 each for a total cash consideration, before issue expenses, of HK$7,918,202.

13. Share Capital (Continued)

Share options

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 and providing them with an opportunity 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; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer; or (iii) the nominal value of a share.

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

13. Share Capital (Continued)

Share options (Continued)

The following share options were outstanding under the Scheme during the period:

	30 June 2010		30 June 2009	
	Weighted average exercise price per share HK$	Number of options '000 (Unaudited)	Weighted average exercise price per share HK$	Number of options '000 (Unaudited)
At 1 January	4.666	25,844	4.666	27,370
Exercised during the period	4.666	(1,697)	–	–
Lapsed during the period	4.666	(38)	–	–
At 30 June	4.666	24,109	4.666	27, 370

Pursuant to an ordinary resolution passed on 25 May 2010 in the annual general meeting of the shareholders, the vesting and exercise periods for the options granted under the Scheme had been modified. The vesting periods, exercise price and exercise periods of the share options outstanding as at 30 June 2010 are as follows:

Number of options granted to					
Directors '000	Employees '000	Total '000	Vesting period (d-m-yyyy)	Exercise price per share HK$	Exercise period (d-m-yyyy)
530	2,139	2,669	7-8-2007 to 6-8-2009	4.666	7-8-2009 to 6-8-2014
780	4,580	5,360	7-8-2007 to 6-8-2010	4.666	7-8-2010 to 6-8-2014
780	4,580	5,360	7-8-2007 to 6-8-2011	4.666	7-8-2011 to 6-8-2014
780	4,580	5,360	7-8-2007 to 6-8-2012	4.666	7-8-2012 to 6-8-2014
780	4,580	5,360	7-8-2007 to 6-8-2013	4.666	7-8-2013 to 6-8-2014
3,650	20,459	24,109			

The Company recognised a share option expense of HK$3,392,000 during the period (30 June 2009: HK$6,662,000).

14. Business Combinations

Business combination for the period ended 30 June 2010

On 26 January 2010 (date of acquisition), the Group acquired the 100% equity interest in COFCO (Jiangyin) Cereals, Oil & Warehouse Corporation Limited ("COFCO (Jiangyin) Warehouse") from COFCO (HK) at a cash consideration of HK$154,809,334. COFCO (Jiangyin) Warehouse is engaged in the provision of warehouse and logistic services.

The fair values of the identifiable assets and liabilities of COFCO (Jiangyin) Warehouse 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	184,692	184,712
Prepaid land premiums	34,830	9,237
Inventories	52	52
Accounts and bills receivables	238	238
Prepayments, deposits and other receivables	449	449
Cash and cash equivalents	1,466	1,466
Other payables and accruals	(28,051)	(28,051)
Tax payable	(46)	(46)
Deferred tax liabilities	(6,393)	–
Interest-bearing bank and other borrowings	(22,756)	(22,756)
	164,481	145,301
Excess over the cost of a business combination (note 4)	(9,672)	
	154,809	
Satisfied by cash	154,809	

14. Business Combinations (Continued)

Business combination for the period ended 30 June 2010 (Continued)

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of this subsidiary is as follows:

	For the six months ended 30 June
	2010 HK$'000
Cash consideration	(154,809)
Cash and cash equivalents acquired	1,466
Net outflow of cash and cash equivalents in respect of the acquisition of the subsidiary	(153,343)

During the six months ended 30 June 2010, COFCO (Jiangyin) Warehouse generated revenue and net profit of HK$6,680,000 and HK$2,336,000, respectively. Since the acquisition date, COFCO (Jiangyin) Warehouse contributed HK$5,830,000 to the Group's revenue and HK$1,901,000 to the Group's consolidated profit for the period.

Business combinations for the period ended 30 June 2009

(a) On 17 April 2009, the date of acquisition, the Group acquired the 100% interest in Guangxi China Resources Hongshui River Pier Storage Co., Limited, which subsequently changed its name to COFCO Oils (Qinzhou) Co., Ltd. ("COFCO Qinzhou"), from independent third parties at a purchase consideration of HK$90,783,000. COFCO Qinzhou is currently under construction stage and will be engaged in production and sale of edible oil.

(b) On 17 February 2009, the Company entered into four share purchase agreements (the "Share Purchase Agreements") with COFCO (HK), 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 Xinsha Oils & Grains Industries (Dongguan) Co., Ltd. ("COFCO Dongguan"), COFCO Oils & Grains Industries (Feixian) Co., Ltd. ("COFCO Feixian") and Jilin CRC Biochemistry Packaging Co., Ltd. ("Jilin Packaging"), respectively, while Cheerlink held a 57.136% equity interest in Yellow Dragon Food Industry Co., Ltd. ("Yellow Dragon").

The Acquisition was completed on 28 April 2009, in consideration for the issue of 263,626,483 ordinary shares, at a price of HK$3.69 per share to COFCO (HK) pursuant to the 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 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 corn processing business, mainly the production and sale of starch and related biochemical products.

14. Business Combinations (Continued)

Business combinations for the period ended 30 June 2009 (Continued)

The fair values of the identifiable assets and liabilities of COFCO Dongguan and COFCO Qinzhou as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were as follows:

	Fair value recognised on acquisition	Carrying amount
	HK$'000	HK$'000
Property, plant and equipment	366,825	372,919
Prepaid land premiums	41,393	13,154
Deferred tax assets	21,700	21,700
Inventories	170,342	164,993
Accounts and bills receivables	21,758	21,758
Prepayments, deposits and other receivables	78,928	79,219
Due from fellow subsidiaries	199,217	199,217
Due from associates	24,523	24,523
Pledged deposits	9,496	9,496
Cash and cash equivalents	114,393	114,393
Accounts and bills payables	(234,531)	(234,531)
Other payables and accruals	(140,879)	(140,879)
Derivative financial instruments	(32,240)	(32,240)
Interest-bearing bank and other borrowings	(174,897)	(174,897)
Due to fellow subsidiaries	(82,218)	(82,218)
Tax payable	(18,778)	(18,778)
Deferred tax liabilities	(6,801)	–
	358,231	337,829
Goodwill on acquisition	360,692	
	718,923	
Satisfied by:		
Cash	90,783	
Issue of shares	628,140	
	718,923	

14. Business Combinations (Continued)

Business combinations for the period ended 30 June 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	424,468	358,422
Prepaid land premiums	80,059	33,744
Deferred tax assets	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 payables	(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	(33,085)	–
	656,239	556,980
Minority interests	(208,855)	
Excess over the cost of business combinations (note 4)	(37,847)	
	409,537	
Satisfied by:		
Issue of shares	402,639	
Available-for-sale investment	6,898	
	409,537	

14. Business Combinations (Continued)

Business combinations for the period ended 30 June 2009 (Continued)

An analysis of the net inflow of cash and cash equivalents in respect of the acquisition of these subsidiaries is as follows:

	For the six months ended 30 June
	2009
	HK$'000
Cash consideration	(90,783)
Cash and cash equivalents acquired	222,560
Net inflow of cash and cash equivalents in respect of the acquisition of the subsidiaries	131,777

During the six months ended 30 June 2009, these subsidiaries generated revenue and net profit of HK$2,737,058,000 and HK$21,472,000, respectively. Since the acquisition date, these subsidiaries contributed HK$971,020,000 to the Group's revenue and HK$6,520,000 to the Group's consolidated profit for the period ended 30 June 2009.

15. Related Party Transactions

(a) Transactions with related parties

The Group had the following material transactions with related parties during the period:

		For the six months ended 30 June	
	Notes	2010 HK$'000 (Unaudited)	2009 HK$'000 (Unaudited)
Transactions with fellow subsidiaries:			
Sales of goods	(i)	2,143,042	2,152,311
Purchases of goods	(i)	860,416	440,370
Operating lease rental paid	(i)	2,698	6,175
Interest expense	(ii)	14,003	5,204
Brokerage fee paid	(i)	16,821	11,372
Purchase of assets	(iii)	–	127,893
Transactions with the ultimate holding company:			
Operating lease rental paid	(i)	8,877	–
Logistic service and storage income	(i)	–	3,077
Transactions with associates:			
Sales of goods	(i)	903,342	989,361
Purchases of goods	(i)	39,886	7,802
Interest income	(iv)	1,915	–
Transactions with related companies#:			
Sales of goods	(i)	156,200	96,523
Purchases of goods	(i)	3,445,989	2,340,012
Transactions with minority shareholders of subsidiaries:			
Sales of goods	(i)	523,008	420,029
Purchases of goods	(i)	38,132	20,512

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

Notes:

(i) Except for the transactions with an associate for the sales of goods of HK$836,910,000 (30 June 2009: HK$650,548,000) which was 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 loans from fellow subsidiaries, which were unsecured, and bore interest rates of 4.374% and 4.779% per annum (30 June 2009: LIBOR+0.446, 4.374%, 4.779% per annum), respectively.

(iii) The purchase consideration of the acquisition of assets for the six months ended 30 June 2009 was determined by the Group and its fellow subsidiary, Jilin COFCO Bio-Chemical Co., Ltd., by reference to the appraised value of the assets at 31 December 2008. The assets acquired consisted of land use rights, buildings, equipments and machineries.

(iv) The interest income arose from loans to an associate, which was unsecured, bore interest rate of 2.5% per annum.

15. Related Party Transactions (Continued)

(b) Outstanding balances with related parties

Except for the following, the balances with the holding companies, fellow subsidiaries, related companies, minority shareholders and associates of the Group's subsidiaries at the end of the reporting period are unsecured, interest-free and have no fixed terms of repayment:

(1) the loans due to fellow subsidiaries of HK$687,757,000 (31 December 2009: HK$340,715,000), which bore interest rates of 4.374% and 4.779% per annum (31 December 2009: 4.374% per annum), respectively.

(2) a loan due from an associate of HK$140,426,000 (31 December 2009: HK$167,528,000), which bore interest rate of 2.5% per annum (31 December 2009: 2.5% per annum).

(3) amounts due to minority shareholders of subsidiaries of HK$201,442,000 (31 December 2009: HK$129,606,000), which are financing in nature and are not repayable within one year from the end of the reporting period.

(c) Compensation of key management personnel of the Group

	For the six months ended 30 June	
	2010 HK$'000 (Unaudited)	2009 HK$'000 (Unaudited)
Short term employee benefits	8,251	10,191
Post-employment benefits	177	445
Equity-settled share option expense	1,132	2,081
Total compensation paid to key management personnel	9,560	12,717

(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 period, the Group had transactions with State-owned Enterprises including, but are 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 State-owned Enterprises are ultimately controlled or owned by the PRC government. The Group has also established pricing policies for products and services, and such policies do not depend on whether or not the customers are State-owned Enterprises. Having due regard to the substance of the relationships, the directors of the Company are of the opinion that none of these transactions is a material related party transaction that requires separate disclosure.

16. Operating Lease Arrangements

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:

	30 June 2010 HK$'000 (Unaudited)	31 December 2009 HK$'000 (Audited)
Within one year	22,812	17,846
In the second to fifth years, inclusive	15,963	15,749
After five years	44,600	44,883
	83,375	78,478

17. Commitments

(a) Capital commitments

In addition to the operating lease commitments detailed in note 16 above, the Group had the following capital commitments at the end of the reporting period:

	30 June 2010 HK$'000 (Unaudited)	31 December 2009 HK$'000 (Audited)
Capital commitments in respect of property, plant and equipment:		
Authorised, but not contracted for	7,041,086	5,442,919
Contracted, but not provided for	2,268,540	1,001,424
	9,309,626	6,444,343

17. Commitments (Continued)

(b) Other commitments

Commitments under commodity futures contracts:

	30 June 2010 HK$'000 (Unaudited)	31 December 2009 HK$'000 (Audited)
Sales of soybean meal	1,418,787	4,869,589
Sales of soybean	3,995,682	4,429,677
Sales of soybean oil	1,443,767	6,957,316
Sales of palm oil	3,306,748	4,598,427
Sales of rapeseed oil	115,846	49,705
Sales of corn	–	246,240
Sales of rice	12,540	–
	10,293,370	21,150,954
Purchases of soybean	257,939	1,664,761
Purchases of soybean meal	32,211	–
Purchases of others	9,243	–
	299,393	1,664,761

Commitments under foreign currency forward contracts:

	30 June 2010 HK$'000 (Unaudited)	31 December 2009 HK$'000 (Audited)
Sales of United States dollars	143,619	326,098

Other than disclosed above, the Group did not have any significant commitments or contingent liabilities at the end of the reporting period (31 December 2009: Nil).

18. Events After the Reporting Period

On 21 July 2010, the Company entered into the following agreements: (1) Wide Smart Holdings Limited (one of the substantial shareholders) placed 178,000,000 existing shares of the Company at HK$8.75 per share to independent third parties and subscribed for the same amount of new issue of the Company's shares at HK$8.75 per share; and (2) Glory River Holdings Limited ("Glory River") (a wholly-owned subsidiary of the Company) issued HK$ Fixed Rate Guaranteed Convertible Bonds Due 2015 in an aggregate amount of HK$3,875,000,000. The Company has unconditionally and irrevocably guaranteed the due payments of all sums to be payable by Glory River. The aggregate net proceeds of HK$5,317,400,000 from the above transactions will be used for funding the Group's capital expenditure in connection with the expansion of production capacity, working capital and general corporate purposes. Such transactions have been completed. The bonds have been listed and quoted on Singapore Exchange Securities Trading Limited with effect from 2 August 2010. The top-up placing of 178,000,000 new shares of the Company was also allotted on the same date. Please refer to the Company's announcements dated 22 July 2010 and 29 July 2010 for further details.

19. Approval of the Condensed Consolidated Interim Financial Information

The condensed consolidated interim financial information was approved and authorised for issue by the board of directors on 25 August 2010.

中粮
COFCO
自然之源 重塑你我

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

香港銅鑼灣
告士打道262號
鵬利中心31樓

Tel 電話 +852 2833 0606
Fax傳真 +852 2833 0319

www.chinaagri.com