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**CHINA AGRI-INDUSTRIES HOLDINGS LIMITED**
**中國糧油控股有限公司**
*(Incorporated in Hong Kong with limited liability)*
**(Stock Code: 606)**

# ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2013

## FINANCIAL HIGHLIGHTS

- During the period under review, the Group's revenue decreased by 3.4% to HK$40,234.1 million.

- The Group's operating profit for the six months ended 30 June 2013 was HK$1,282.7 million, representing an increase of 33.3% compared with the same period last year. Operating margin increased from 2.3% to 3.2%.

- Profit attributable to owners of the Company increased by 31.5% over the corresponding period of 2012, amounting to HK$659.7 million. Basic earnings per share was 12.57 HK cents (six months ended 30 June 2012: (restated) 11.71 HK cents).

- The Board declared the payment of an interim dividend of 3.1 HK cents per share (six months ended 30 June 2012: 3.1 HK cents per share).

**INTERIM RESULTS**

The Board of Directors (the "Board") of China Agri-Industries Holdings Limited (the "Company") is pleased to present the unaudited interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2013 together with the comparative figures for the corresponding period in 2012 as follows:

**CONDENSED CONSOLIDATED INCOME STATEMENT**
*For the six months ended 30 June 2013*

| | | For the six months ended 30 June | |
|---|---|---|---|
| | | **2013** | 2012 |
| | | ***HK$'000*** | *HK$'000* |
| | *Notes* | **(Unaudited)** | (Unaudited) |
| **REVENUE** | *3* | **40,234,086** | 41,667,893 |
| Cost of sales | *4* | **(37,450,793)** | (39,025,255) |
| Gross profit | | **2,783,293** | 2,642,638 |
| Other income and gains | *3* | **931,980** | 535,428 |
| Selling and distribution expenses | | **(1,403,807)** | (1,275,549) |
| Administrative expenses | | **(862,778)** | (737,993) |
| Other expenses | | **(8,960)** | (73,551) |
| Finance costs | | **(322,497)** | (481,016) |
| Share of profits of associates | | **46,812** | 53,074 |
| **PROFIT BEFORE TAX** | *4* | **1,164,043** | 663,031 |
| Income tax expense | *5* | **(172,083)** | (90,153) |
| **PROFIT FOR THE PERIOD** | | **991,960** | 572,878 |
| Attributable to: | | | |
| Owners of the Company | | **659,677** | 501,839 |
| Non-controlling interests | | **332,283** | 71,039 |
| | | **991,960** | 572,878 |
| **EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY** | *6* | | (Restated) |
| Basic | | **12.57 HK cents** | 11.71 HK cents |
| Diluted | | **12.57 HK cents** | 11.70 HK cents |
| **DIVIDEND PER SHARE** | *7* | **3.1 HK cents** | 3.1 HK cents |

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the six months ended 30 June 2013*

| | For the six months ended 30 June | |
|---|---|---|
| | **2013** | 2012 |
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Unaudited) |
| **PROFIT FOR THE PERIOD** | **991,960** | 572,878 |
| Exchange difference on translation of foreign operations | **482,291** | (128,422) |
| Other comprehensive income/(loss) for the period, net of tax | **482,291** | (128,422) |
| **TOTAL COMPREHENSIVE INCOME FOR THE PERIOD** | **1,474,251** | 444,456 |
| Attributable to: | | |
| Owners of the Company | **1,077,732** | 391,175 |
| Non-controlling interests | **396,519** | 53,281 |
| | **1,474,251** | 444,456 |

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
*As at 30 June 2013*

| | *Notes* | **30 June 2013** *HK$'000* **(Unaudited)** | 31 December 2012 *HK$'000* (Audited) |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | | **24,081,632** | 23,205,892 |
| Prepaid land premiums | | **2,732,901** | 2,645,385 |
| Deposits for purchases of items of property, plant and equipment | | **505,927** | 337,371 |
| Goodwill | | **1,079,502** | 1,076,038 |
| Interests in associates | | **2,192,639** | 2,176,386 |
| Available-for-sale investments | | **163,581** | 160,696 |
| Intangible assets | | **53,637** | 53,785 |
| Due from associates | | **209,528** | 77,092 |
| Deferred tax assets | | **938,884** | 713,869 |
| Total non-current assets | | **31,958,231** | 30,446,514 |
| **CURRENT ASSETS** | | | |
| Inventories | | **21,932,387** | 19,517,095 |
| Accounts and bills receivables | *8* | **3,950,130** | 4,163,086 |
| Prepayments, deposits and other receivables | | **5,404,283** | 4,888,234 |
| Derivative financial instruments | | **623,983** | 333,318 |
| Due from fellow subsidiaries | | **2,145,872** | 2,893,822 |
| Due from related companies | | **305,164** | 126,542 |
| Due from the ultimate holding company | | **1,323** | 336 |
| Due from non-controlling shareholders of subsidiaries | | **27,839** | 75,652 |
| Due from associates | | **931,928** | 1,452,997 |
| Tax recoverable | | **152,375** | 181,825 |
| Available-for-sale investments | | **502,165** | 1,116,083 |
| Pledged deposits | | **80,693** | 21,708 |
| Cash and cash equivalents | | **13,864,688** | 9,387,222 |
| Total current assets | | **49,922,830** | 44,157,920 |
| **CURRENT LIABILITIES** | | | |
| Accounts and bills payables | *9* | **6,752,853** | 3,434,745 |
| Other payables and accruals | | **6,108,605** | 6,262,168 |
| Deferred income | | **37,124** | 76,407 |
| Derivative financial instruments | | **16,708** | 123,734 |
| Interest-bearing bank and other borrowings | | **26,780,059** | 22,536,135 |
| Convertible bonds | | **3,931,178** | 3,897,751 |
| Due to fellow subsidiaries | | **845,788** | 304,489 |
| Due to the ultimate holding company | | **773,574** | 3,596 |
| Due to an intermediate holding company | | **45,711** | 45,819 |
| Due to related companies | | **3,922** | 257,445 |
| Due to non-controlling shareholders of subsidiaries | | **27,989** | 27,552 |
| Due to associates | | **76,336** | 8,188 |
| Tax payable | | **334,855** | 250,750 |
| Total current liabilities | | **45,734,702** | 37,228,779 |

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)**
*As at 30 June 2013*

| | **30 June 2013** *HK$'000* **(Unaudited)** | 31 December 2012 *HK$'000* (Audited) |
|---|---|---|
| **NET CURRENT ASSETS** | **4,188,128** | 6,929,141 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | **36,146,359** | 37,375,655 |
| **NON-CURRENT LIABILITIES** | | |
| Interest-bearing bank and other borrowings | **3,153,374** | 5,755,039 |
| Due to non-controlling shareholders of subsidiaries | **209,277** | 207,693 |
| Deferred income | **738,883** | 723,666 |
| Deferred tax liabilities | **288,948** | 205,248 |
| Total non-current liabilities | **4,390,482** | 6,891,646 |
| Net assets | **31,755,877** | 30,484,009 |
| **EQUITY** | | |
| **Equity attributable to owners of the Company** | | |
| Issued capital | **524,988** | 524,988 |
| Reserves | **27,282,062** | 26,346,245 |
| Proposed dividend | **162,746** | 183,746 |
| | **27,969,796** | 27,054,979 |
| **Non-controlling interests** | **3,786,081** | 3,429,030 |
| Total equity | **31,755,877** | 30,484,009 |

## Notes to the Condensed Consolidated Interim Financial Information

*For the six months ended 30 June 2013*

**1. BASIS OF PREPARATION AND ACCOUNTING POLICIES**

The condensed consolidated interim financial information is prepared in accordance with Hong Kong Accounting Standard 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 2012, except in relation to the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs") (which include all HKFRSs, Hong Kong Accounting Standards ("HKASs") 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 Amendments | Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans* |
| HKFRS 7 Amendments | Amendments to HKFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities* |
| HKFRS 10 | *Consolidated Financial Statements* |
| HKFRS 11 | *Joint Arrangements* |
| HKFRS 12 | *Disclosure of Interests in Other Entities* |
| HKFRS 10, HKFRS 11 and HKFRS 12 Amendments | Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 *– Transition Guidance* |
| HKFRS 13 | *Fair Value Measurement* |
| HKAS 1 Amendments | Amendments to HKAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income* |
| HKAS 19 (2011) | *Employee Benefits* |
| HKAS 27 (2011) | *Separate Financial Statements* |
| HKAS 28 (2011) | *Investments in Associates and Joint Ventures* |
| *Annual Improvements 2009- 2011 Cycle* | Amendments to a number of HKFRSs issued in June 2012 |

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

## 2. OPERATING SEGMENT INFORMATION

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

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

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

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

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

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

During the period, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue (six months ended 30 June 2012: Nil).

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

The following tables present revenue and profit information regarding the Group's operating segments for the six months ended 30 June 2013 and 2012.

**Six months ended 30 June 2013**

| | Oilseeds processing *HK$'000* (Unaudited) | Biochemical and biofuel *HK$'000* (Unaudited) | Rice processing and trading *HK$'000* (Unaudited) | Wheat processing *HK$'000* (Unaudited) | Brewing materials *HK$'000* (Unaudited) | Corporate and others *HK$'000* (Unaudited) | Eliminations *HK$'000* (Unaudited) | Total *HK$'000* (Unaudited) |
|---|---|---|---|---|---|---|---|---|
| **Segment revenue:** | | | | | | | | |
| Sales to external customers | 23,345,947 | 7,250,778 | 3,795,280 | 3,692,960 | 983,064 | 1,166,057 | – | 40,234,086 |
| Intersegment sales | 140,373 | 164,615 | 1,731 | 6,207 | – | 34,294 | (347,220) | – |
| Other revenue | 524,350 | 138,216 | 29,956 | 31,615 | 32,371 | 35,821 | (17,354) | 774,975 |
| **Segment results** | 857,019 | 390,205 | (53,031) | 56,558 | 106,347 | (70,773) | (3,602) | 1,282,723 |
| Interest income | | | | | | | | 157,005 |
| Finance costs | | | | | | | | (322,497) |
| Share of profits of associates | | | | | | | | 46,812 |
| Profit before tax | | | | | | | | 1,164,043 |
| Income tax expense | | | | | | | | (172,083) |
| Profit for the period | | | | | | | | 991,960 |
| **Other segment information:** | | | | | | | | |
| Depreciation and amortisation | 277,603 | 230,700 | 65,366 | 41,561 | 46,489 | 18,505 | – | 680,224 |
| Capital expenditure | 336,480 | 487,229 | 168,242 | 118,166 | 6,075 | 110,387 | – | 1,226,579 |
| **As at 30 June 2013** | | | | | | | | |
| **Assets and liabilities** | | | | | | | | |
| Segment assets | 32,052,841 | 14,689,850 | 7,818,483 | 5,170,679 | 3,210,798 | 17,260,207 | (15,551,076) | 64,651,782 |
| Unallocated assets | | | | | | | | 17,229,279 |
| Total assets | | | | | | | | 81,881,061 |
| Segment liabilities | 15,752,368 | 5,781,346 | 4,440,697 | 2,644,042 | 862,433 | 1,690,707 | (15,551,076) | 15,620,517 |
| Unallocated liabilities | | | | | | | | 34,504,667 |
| Total liabilities | | | | | | | | 50,125,184 |

**Six months ended 30 June 2012**

| | Oilseeds processing *HK$'000* (Unaudited) | Biochemical and biofuel *HK$'000* (Unaudited) | Rice processing and trading *HK$'000* (Unaudited) | Wheat processing *HK$'000* (Unaudited) | Brewing materials *HK$'000* (Unaudited) | Corporate and others *HK$'000* (Unaudited) | Eliminations *HK$'000* (Unaudited) | Total *HK$'000* (Unaudited) |
|---|---|---|---|---|---|---|---|---|
| **Segment revenue:** | | | | | | | | |
| Sales to external customers | 26,023,419 | 7,217,348 | 3,561,432 | 2,646,788 | 1,271,792 | 947,114 | – | 41,667,893 |
| Intersegment sales | 22,890 | 10,320 | – | 1,282 | – | – | (34,492) | – |
| Other revenue | 86,438 | 304,820 | 7,349 | 19,356 | 2,432 | 2,021 | (15,777) | 406,639 |
| **Segment results** | 457,409 | 471,267 | (73,146) | 69,526 | 119,916 | (82,788) | – | 962,184 |
| Interest income | | | | | | | | 125,603 |
| Gain on bargain purchase | | | | | | | | 3,186 |
| Finance costs | | | | | | | | (481,016) |
| Share of profits of associates | | | | | | | | 53,074 |
| Profit before tax | | | | | | | | 663,031 |
| Income tax expense | | | | | | | | (90,153) |
| Profit for the period | | | | | | | | 572,878 |
| **Other segment information:** | | | | | | | | |
| Depreciation and amortisation | 153,426 | 230,659 | 47,891 | 32,630 | 51,626 | 101,848 | – | 618,080 |
| Capital expenditure | 239,087 | 893,456 | 487,066 | 345,603 | 5,833 | 364,841 | – | 2,335,886 |
| **As at 31 December 2012** | | | | | | | | |
| **Assets and liabilities** | | | | | | | | |
| Segment assets | 31,221,198 | 14,281,385 | 7,925,163 | 4,135,601 | 2,993,844 | 17,151,628 | (15,585,395) | 62,123,424 |
| Unallocated assets | | | | | | | | 12,481,010 |
| Total assets | | | | | | | | 74,604,434 |
| Segment liabilities | 11,658,900 | 5,326,299 | 5,095,171 | 2,468,792 | 1,134,276 | 1,361,206 | (15,585,395) | 11,459,249 |
| Unallocated liabilities | | | | | | | | 32,661,176 |
| Total liabilities | | | | | | | | 44,120,425 |

## 3. REVENUE, OTHER INCOME AND GAINS

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

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

| | For the six months ended 30 June | |
|---|---|---|
| | **2013** | 2012 |
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Unaudited) |
| **Other income** | | |
| Government grants* | **199,559** | 322,440 |
| Interest income | **157,005** | 125,603 |
| Compensation income | **1,074** | 1,100 |
| Others | **16,570** | 4,918 |
| | **374,208** | 454,061 |
| **Gains** | | |
| Gains on disposal of raw materials, by-products and scrap items | **642** | 54,883 |
| Logistic service and storage income | **8,328** | 15,273 |
| Gain on disposal of items of property, plant and equipment | **13,430** | 8,002 |
| Realised and unrealised fair value gains on foreign currency forward contracts, net | **2,017** | – |
| Gains on foreign exchange, net | **525,249** | – |
| Gain on bargain purchase | **–** | 3,186 |
| Reversal of impairment of receivables | **–** | 23 |
| Others | **8,106** | – |
| | **557,772** | 81,367 |
| | **931,980** | 535,428 |

* Various government grants have been received for investments in certain provinces in Mainland China, which are available for industries or locations in which the Company's subsidiaries operate. In addition, pursuant to relevant notices issued by the Finance Bureau of the PRC for fuel ethanol producers, COFCO Bio-Energy (Zhaodong) Co., Ltd. and Guangxi COFCO Bio-Energy Co., Ltd. are entitled to financial grants based on the quantity of fuel ethanol produced and sold. An amount of HK$94,292,000 (six months ended 30 June 2012: HK$117,323,000) has been included in the government grants for the period. The remaining government grants mainly related to discretionary awards granted by local governments to certain subsidiaries of the Group to award their contributions to the local development. There are no unfulfilled conditions or contingencies relating to these grants.

## 4. PROFIT BEFORE TAX

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

| | For the six months ended 30 June | |
|---|---|---|
| | **2013** | 2012 |
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Unaudited) |
| Cost of inventories sold or services provided | **37,512,870** | 37,888,183 |
| Realised and unrealised fair value losses / (gains) of commodity futures contracts, net | **(2,303,723)** | 838,417 |
| Write-down of inventories to net realisable value | **1,293,768** | 225,900 |
| Provision for loss on non-cancellable purchase commitments# | **947,878** | 72,755 |
| Cost of sales | **37,450,793** | 39,025,255 |
| Depreciation | **646,054** | 589,243 |
| Amortisation of intangible assets | **1,908** | 1,278 |
| Recognition of prepaid land premiums | **32,262** | 27,559 |
| Employee benefit expenses (including directors' and chief executive's remuneration) | **943,409** | 762,697 |
| Gain on disposal of items of property, plant and equipment | **(13,430)** | (8,002) |
| Realised and unrealised fair value losses / (gains) on foreign currency forward contracts, net | **(2,017)** | 7,733 |

# 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 2013, 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$947,878,000 (six months ended 30 June 2012: HK$72,755,000) is estimated by the directors with reference to the expected selling prices of the corresponding products, and a provision thereon has been made in the condensed consolidated income statement for the six months ended 30 June 2013. The directors of the Company consider that these losses are resulted from the Group's ordinary course of business.

## 5. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2012: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

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

| | **For the six months ended 30 June** | |
|---|---|---|
| | **2013** | 2012 |
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Unaudited) |
| Current – Hong Kong | | |
| Charge for the period | **560** | 35,647 |
| Current – Mainland China | | |
| Charge for the period | **325,160** | 122,739 |
| Overprovision in prior periods | **(8,441)** | (68,528) |
| Tax rebates and credits | **(14,414)** | (8,225) |
| Deferred tax | **(130,782)** | 8,520 |
| Total tax charge for the period | **172,083** | 90,153 |

## 6. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings per share amounts for the six months ended 30 June 2013 is based on the profit for the period attributable to ordinary equity holders of the Company of HK$659,677,000 (six months ended 30 June 2012: HK$501,839,000), and the weighted average number of 5,249,880,788 ordinary shares (six months ended 30 June 2012: 4,283,872,329 ordinary shares as restated) in issue during the period.

The calculation of the diluted earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the Company, adjusted to reflect the interest on the convertible bonds. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic 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.

For the six months ended 30 June 2013, no adjustments in respect of convertible bonds and share options have been made to the earnings and number of shares used in the basic earnings per share calculation due to that the outstanding convertible bonds and share options have an anti-dilutive effect on the basic earnings per share amount presented.

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

Earnings

| | For the six months ended 30 June | |
|---|---|---|
| | **2013** | 2012 |
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Unaudited) |
| Profit attributable to ordinary equity holders of the Company used in the basic and diluted earnings per share calculations | **659,677** | 501,839 |

Number of shares

| | For the six months ended 30 June | |
|---|---|---|
| | **2013** | 2012 |
| | **(Unaudited)** | (Unaudited) |
| | | (Restated)* |
| Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation | **5,249,880,788** | 4,283,872,329 |
| Effect of dilution – weighted average number of ordinary shares: | | |
| Share options | **–** | 3,727,996 |
| | **5,249,880,788** | 4,287,600,325 |

* The weighted average number of ordinary shares used in calculating basic and diluted earnings per share for all periods before the rights issue had been adjusted retrospectively to reflect the bonus element to the shares arising from the rights issue made in 2012.

## 7. DIVIDNED PER SHARE

On 28 August 2013, the Board declared an interim dividend of 3.1 HK cents (six months ended 30 June 2012: 3.1 HK cents) per ordinary share, amounting to a total of HK$162,746,000 (six months ended 30 June 2012: HK$125,189,000).

The amounts of the interim dividend per ordinary share for the six months ended 30 June 2013 and 30 June 2012 are calculated based on the number of issued ordinary shares as at 30 June 2013 and 30 June 2012, respectively.

## 8. ACCOUNTS AND BILLS RECEIVABLES

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

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

| | **30 June 2013** *HK$'000* **(Unaudited)** | 31 December 2012 *HK$'000* (Audited) |
|---|---|---|
| Within 3 months | **3,554,968** | 3,510,970 |
| 3 to 12 months | **393,487** | 650,757 |
| 1 to 2 years | **1,675** | 1,348 |
| 2 to 3 years | **–** | 11 |
| | **3,950,130** | 4,163,086 |

## 9. ACCOUNTS AND BILLS PAYABLES

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

| | **30 June 2013** *HK$'000* **(Unaudited)** | 31 December 2012 *HK$'000* (Audited) |
|---|---|---|
| Within 3 months | **6,429,575** | 3,358,174 |
| 3 to 12 months | **295,970** | 55,016 |
| 1 to 2 years | **22,339** | 16,506 |
| Over 2 years | **4,969** | 5,049 |
| | **6,752,853** | 3,434,745 |

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

## 10. EVENTS AFTER THE REPORTING PERIOD

(a) Pursuant to the terms and conditions of 1.00% HK$ Fixed Rate Guaranteed Convertible Bonds Due 2015 (the "Convertible Bonds"), on 29 July 2013, Glory River Holdings Limited (a wholly owned subsidiary of the Company) had redeemed (the "Early Redemption"), at the option of certain holders of the Convertible Bonds, HK$2,668,500,000 in principal amount of the Convertible Bonds at the applicable early redemption amount of HK$103,076.01 in respect of each HK$100,000 principal amount of the Convertible Bonds for a total consideration of approximately HK$2,750,583,000. After the Early Redemption, the outstanding principal amount of the Convertible Bonds is HK$1,206,500,000.

(b) Pursuant to the approvals issued by the State Administration of Taxation of the PRC during the reporting period, the Company is regarded as a Chinese Resident Enterprise and relevant enterprise income tax policies shall be applicable to the Company and certain of its subsidiaries commencing from 1 January 2013. Therefore, the Company has implemented enterprise income tax withholding arrangement in respect of the dividends declared on or after 1 January 2013. In addition, on 31 July 2013, the Company refunded approximately HK$202,314,000, which was withheld during the period from 2009 to 2012 upon dividends distribution, to the then non-resident enterprise shareholders whose names appear on the Company's register of members on the relevant record dates.

## MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

### Oilseeds Processing Business

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

In the first half of 2013, international soybean prices fluctuated within a high range. Prices for front month soybean contracts have been relatively higher than deferred ones as a result of tight North America supply and a large anticipated harvest in South America. During the period, production halts at oilseeds processing plants in China were quite common and domestic oilseed meal supply was tight as hoarding among South American grain farmers and port strikes lowered the soybean exports to China. Meanwhile, hog inventory levels remained high, and the adverse impact of bird flu on soybean meal prices was less than anticipated. All of these factors combined to cause soybean meal prices to remain within a higher range. However, vegetable oil pricing in China declined due to high inventory levels and sluggish consumer demand. As a result, vegetable oil prices remained at a low range.

Soybean prices in the international market in the first half of 2013 were generally higher than product prices in the domestic market. In response to these market conditions, the Company took proactive initiatives to regulate procurement and sales, and destock existing inventory. Product sales were temporarily affected by the adverse market conditions, causing revenues to decrease. Revenue fell 10.3% year-on-year to HK$23,345.9 million on lower oilseed meal sales and lower vegetable oil prices. Oilseed meals sales volumes decreased 40.4% year-on-year to 1,891,000 metric tons. However, sales volumes of vegetable oils increased slightly by 8.0% year-on-year to 1,486,000 metric tons. In the first half of 2013, the industry's capacity utilisation rates were generally low given tight soybean supply, though competition eased. This helped to improve the gross profit margin of the oilseeds processing business from 3.5% during the same period last year to its current 4.2%, an industry leading level in China.

The industry's difficult operating environment and the complicated factors influencing the raw materials market and product prices combined to challenge China Agri's oilseeds processing business. Supported by its increased efforts to monitor both the international and domestic markets and adopt effective hedging strategies to manage risks, the Company exercised business acumen to secure raw materials for future demand. The Company also actively established partnerships with large raw material suppliers in China to secure access to low cost, high quality raw materials and diminish the impact of lower product prices in the oilseeds business.

With China transforming into a consumer-driven economy and the state attempting to curb officials' spending in high-end restaurants, the Company moved to expand its mid-sized packaged oil business in order to cater to restaurants focusing on middle-class consumers. Through brand building and shifting the product mix, the Company has been able to rapidly increase its sales volumes. During the period under review, mid-sized packaged oil sales volume increased 32.8% year-on-year. Currently, the oilseeds processing business's research and development team is working closely with the production and sales teams to drive vegetable oil sales growth, and roll out a series of innovative specialty oils and mid-to-high-end new specialty oil products that can achieve higher and premium pricing in the market.

As of 30 June 2013, the Company operated a total of fifteen oilseeds processing plants in Jiangsu, Shandong, Tianjin, Guangxi, Hubei, Guangdong, Jiangxi, Anhui, Chongqing and Xinjiang. The plants had a combined annual crushing capacity of 10,920,000 metric tons and a combined refining capacity of 4,170,000 metric tons. Construction of new production capacity in the oilseeds processing business has been completed. Based on market demand, the Company will add capacity to regions in need and increase processing capabilities of specialty oils to raise and solidify the Company's market position.

Looking forward to the second half of 2013, market consumption is expected to be encouraged by the modest pickup of China's economic growth, and continue to expand on rising urbanisation. In addition, the second half of the year is also the traditional peak season for vegetable oil and oilseed meals consumption, so product sales are expected to have a solid foundation. Furthermore, oilseed meal products have significant room for growth given that live hog stocks remain high, poultry demand is recovering as fears of bird flu diminish, and the aquaculture industry continues to grow rapidly. However, the global economy is still fraught with uncertainty while competition in the domestic oilseeds processing industry is expected to remain fierce. The Company will closely monitor its market, utilise effective hedging strategies, and reinforce effective management of procurement, processing, sales and risks to ensure that the oilseeds processing business delivers stable operating results. The Company will also actively optimise its product mix, build its brand image, further expand the sales network, and enhance product competitiveness through research and development to strengthen its leading position in the industry.

**Biochemical and Biofuel Business**

For the first half of 2013, China Agri's biochemical and biofuel revenues totaled to HK$7,250.8 million, which were in line with the same period last year. Gross profit margin increased from 13.4% for the first half of 2012 to 13.9%.

**Biochemical Business**

The Company's biochemical business is primarily engaged in the processing of corn. Its products include corn starch, sweeteners (maltodextrin, fructose syrup and glucose syrup, etc.), crude corn oil and feed ingredients.

At the start of 2013, corn prices rose as a result of supportive government policy, but prices started to decline again towards the end of the period under review. Due to lackluster demand from downstream industries in China, the market price of corn starch remained at a historically low level despite a slight temporary rebound and showed no clear signs of recovery. Sweetener product prices declined as new demand from downstream industries has slowed while consumers have become more price sensitive in a sluggish economy. These factors urged industry players to adopt aggressive pricing strategies in order to gain market share, and sweeteners became less attractive as a substitute for sugar cane as sugar cane prices also declined during the same period.

During the first half of 2013, the Company's biochemical business reported revenue of HK$4,465.8 million, which was 2.3% higher than the same period last year. Benefiting from newly added production capacity, the Company recorded sales volume of 237,000 metric tons of sweetener products, which was an upsurge of 46.3% compared with the same period last year. The sales volume of corn starch totaled 694,000 metric tons, which was a decrease of 7.8% year-on-year. The decline was primarily due to soft demand from downstream industries and a rise in internal corn starch consumption for the production of sweeteners.

To help drive demand for sweeteners in the downstream industry, the Company proactively managed its sales activities among existing strategic customers while developing other domestic and international food and beverage group prospects in China. Furthermore, the Company adopted solution-based sales strategies to better serve its customers. And in recognition of the growing concern about nutrition and health, the Company will continue to strengthen its research and development of technology to optimise its product mix and satisfy individual consumer needs.

As of 30 June 2013, the Company had a total of eight factories in Jilin, Heilongjiang, Shanghai, Hubei, Hebei and Sichuan, with an annual corn processing capacity of 2,450,000 metric tons and an annual sweetener production capacity of 950,000 metric tons. This scale makes the Company an industry leader in China. The Company's Heilongjiang facility has a production capacity of 100,000 metric tons of monosodium glutamate (MSG). In 2013, additional production capacity of 90,000 metric tons of sweeteners will also be added.

Looking ahead to the second half of 2013, the peak season for beer and beverages is expected to create a pickup in demand from downstream industry players and contribute to the overall sales of starch and sweeteners. In addition, the cyclical downturn that the industry has been experiencing is expected to help accelerate market consolidation. The Company believes that a more highly consolidated market will further solidify the Company's leading position. China Agri will continue to strengthen its ability to develop more downstream starch products and other higher value-added products, enhance its service to key customers, and develop more mid-stream processing capabilities, thereby helping extend the Company's penetration and market share.

**Biofuel Business**

The Company is one of China's major fuel ethanol producers. The Company's biofuel products include fuel ethanol, anhydrous ethanol, consumable alcohol, crude corn oil and dried distillers grains with solubles (DDGS).

During the period under review, the National Development and Reform Commission (NDRC) adjusted the pricing mechanism of refined oil in China and shortened the price adjustment cycle, which strengthened the correlation between gasoline prices and fuel ethanol prices in China and international oil prices. For the first half of 2013, the average fuel ethanol price was similar to the same period last year.

For the first half of 2013, revenue from the biofuel business totaled HK$2,785.0 million, which represented a year-on-year decrease of 2.3%. During the period, with the Company's dedicated fuel ethanol sales efforts and proactive management of key customer relationships, the sales of fuel ethanol grew by 6.1% year-on-year to 203,000 metric tons.

As of 30 June 2013, the Company had one factory in Heilongjiang and one in Guangxi with a combined production capacity of 600,000 metric tons for fuel ethanol, anhydrous ethanol, and consumable alcohol.

Looking ahead to the second half of the year, the Company will strictly control selling and finance expenses, and implement other initiatives to control costs, maximise efficiency, save energy and reduce waste. Meanwhile, it will proactively explore new markets and expand the customer base in an effort to enhance the profitability and market position of the biofuel business. Furthermore, the Company will strive to provide the market with higher quality products through its ongoing research and development of new technology. The Company will actively participate in non-grain-based fuel ethanol production projects to cope with the Chinese government's efforts to promote the use of this new type of fuel, thereby contributing to the promotion of renewable and environmentally-friendly energy.

**Rice Processing and Trading Business**

The Company is a leading packaged rice supplier and the largest rice exporter and importer in China. It is primarily engaged in the processing and trading of white and parboiled rice. Branded packaged rice products are primarily sold under the brand names "Fortune" (福临门), "Five Lakes" (五湖) and "Jinying" (金盈). The major traditional markets for exports include Japan, South Korea, Hong Kong and Macau.

During the period under review, the overall rice market still saw low prices for rice despite the high paddy prices because of fierce competition in the domestic rice market and an overall balance of paddy demand and supply. This impeded the ability of companies to pass rising costs on to end consumers. Meanwhile, adequate supply caused imported rice pricing to be more competitive. In terms of market consumption, the domestic packaged rice market has become more mature driven by the evolving structure of packaged rice consumption and the shift of consumer preferences from unpackaged rice to higher-end products, despite the fact that unpackaged rice still makes up the majority of consumption.

In the first half of 2013, the rice processing and trading business recorded a 6.6% year-on-year increase in total revenue to HK$3,795.3 million, and the gross profit margin improved from 7.7% in the same period last year to 8.7% as a result of increased operating efficiency and strengthened performance at the Company's new production plants. Overall domestic rice sales totaled 526,000 metric tons. While total domestic rice sales were in line with the same period last year, the sales mix of packaged rice has improved as contribution from mid-to-high end products increased. The Company's export business was challenged by market conditions. However, the Company achieved an 137.6% year-on-year increase in export volume to 205,000 metric tons by closely monitoring market changes to develop new products to satisfy market needs and by securing sales to areas in which it already has an existing presence.

The Company stabilised feedstock supply by optimising its procurement approach, increased direct sourcing to reduce costs, continued the development of its strategic supplier network, and expanded the scale of purchases from strategic partners. To cope with the price differences between overseas rice and domestic rice, the Company fully leveraged its experience and strengths in international trading to import superior quality overseas rice at competitive prices to satisfy business needs. In response to changing consumer preferences for rice and the rapid growth of the packaged rice market, the Company continued its efforts to develop its packaged rice business. The Company managed to increase its pricing premium and strengthen its market position for packaged rice products by focusing on promoting the "Fortune" brand, optimising the product mix, and increasing the contribution from high-margin products. According to a market survey conducted by AC Nielsen about packaged rice sold in hypermarkets in China from January to June 2013, the Company had an approximately 14% market share in terms of rice product sales volume, and was ranked as one of the leading suppliers in China. At the same time, by taking advantage of the strategic location of its plants near key markets and its position as a leading rice importer, the Company continued to consolidate and develop its customer base, including with major customers in catering, food processing and wine, to enrich its sales channels, and proactively develop new products to increase its product competitiveness and enhance customer satisfaction.

As of 30 June 2013, the Company operated fourteen rice processing plants in Heilongjiang, Liaoning, Jiangsu, Jilin, Jiangxi, Anhui, Ningxia, Sichuan and Hubei, with a combined annual production capacity of 1,935,000 metric tons. In the second half of 2013, with a view to achieving the dual strategic goal of securing high quality indica rice resources and optimising the Company's geographic footprint, the Company plans to bring two new rice processing plants on stream that will feature a combined annual production capacity of 330,000 metric tons. The Company's processing plants are near important grain growing areas and sales markets, which help to enhance both production and sales efficiency.

Looking ahead to the second half of 2013, per capita consumption is expected to grow further. Meanwhile, after several cadmium-contaminated rice incidents arose elsewhere in the industry in the first half of 2013, many consumers shifted their purchases to mid to high-end packaged rice products in an effort to secure higher quality and more nutritious rice. The Company expects these concerns to further drive market demand and bring new opportunities for companies that offer superior quality high-end and imported rice products. The Company will stay committed to enhancing the quality and nutritional content of its products, investing in brand building; increasing the sales volume of high-end packaged rice products, and expanding the pricing premium of its products. Based on different consumer characteristics in various regions, the Company will further optimise its nationwide sales management, meet customer needs, integrate resources, and respond rapidly in order to enhance its performance and market position.

**Wheat Processing Business**

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

During the period under review, domestic wheat prices stabilised at a relatively high level after the Chinese New Year following a rapid surge in prices in the third and fourth quarters of 2012. In terms of end markets, the flour industry has maintained sustainable, steady and healthy growth in recent years. The flour industry is becoming more competitive due to accelerating capacity expansion from major international grain processors and intensified industry consolidation. The noodle industry experienced a period of rapid growth with fast capacity expansion and large-scale commercial operation.

For the first half of 2013, the wheat processing business of the Company reported revenue of HK$3,693.0 million, an increase of 39.5% year-on-year. During the period under review, the sales volume of products increased substantially, driven by new production capacity. In particular, the sales volumes of flour increased by 30.0% year-on-year to 776,000 metric tons, and the sales volume of noodles and bread products also increased by 25.9% and 16.7% respectively. The Company successfully put new production facilities into use, but the overall utilisation of facilities dropped from same period last year. Furthermore, rapidly chasing market share under the intensified industry competition sporadically affected the ability of Company to pass on rising costs to end customers. The business segment's gross profit margin dropped year-on-year to 6.7%, but still above the industry average.

In response to such a constantly changing operating environment, the Company focused on analysing the raw grain market and adopted multiple and flexible procurement strategies to secure grain supply and meet the demand with a ramp-up in new production capacity. All of these efforts helped the Company to control costs effectively and sustain stable performance in its wheat processing business. Meanwhile, the Company is leveraging competitive advantages brought by its integrated operations and professional management to steadily enhance the operation of its existing production facilities. The Company also succeeded in bringing new production capacity on stream by taking advantage of its extensive customer network and strengthened sales and marketing efforts. During the period under review, newly added production facilities, following the Company's regional plan, have started to supply different key customers, including Kraft, Dali, Tingyi and Uni-President. The Company also streamlined its product mix, continued to foster the research and development of high-end products, and enhanced the image of its products in the market. Given the opportunities presented by the rapid growth of the industry, the Company swiftly expanded the scale of its noodle business, expanded its market share, and proactively penetrated into the high value-added downstream business. To reach mid and high-end consumers, the Company focused on developing modern sales channels that cater to consumer preferences while also promoting various branding initiatives to enhance product competitiveness.

As of 30 June 2013, the Company operated thirteen plants in Henan, Zhejiang, Hebei, Jiangsu, Liaoning, Sichuan, Fujian, Shandong and Beijing, with an aggregate annual processing capacity of 3,451,000 metric tons of wheat, 177,000 metric tons of noodles and around 2,000 metric tons of bread products.

Looking ahead, the noodle industry will experience rapid growth while the scale of the flour market will expand steadily. In the second half of 2013, the Company will monitor market trends, increase its sales efficiency, and achieve greater economies of scale through a ramp up in new production capacity. At the same time, the Company will continue to leverage its advantages of sharing resources between the flour and downstream segments, step up efforts to develop noodles and bread products, continue creating new product innovations that cater to increasingly sophisticated consumer needs, and further solidify its leading position in the market.

**Brewing Materials Business**

The Company is engaged in the production and sales of malt and is a leading supplier of brewing materials in China. Sales are focused on the domestic market and other countries and regions in Southeast Asia.

In the first half of 2013, due to strong barley prospects in Europe, international barley prices declined after Chinese New Year. Nevertheless, the domestic malt market experienced reduced sales volumes compared with the corresponding period last year. This was driven by sluggish growth in the beer market and lower demand for malt products from downstream players, which implemented more prudent procurement strategies following high inventory levels last year.

During the period under review, the brewing materials business of the Company recorded a 22.4% year-on-year drop in sales volume to 229,000 metric tons. Revenue declined by 22.7% to HK$983.1 million. During the first half of 2013, the Company strived to stringently control expenses and effectively reduced production costs through the implementation of process improvements, energy conservation and efficiency enhancements to maintain its gross profit margin above the industry average.

While global barley malt prices have been demonstrating a declining trend, the Company adopted prudent strategies to control inventory and leveraged its experience and advantages in international trading to purchase raw materials from regions with more consistent quality. These activities helped to lay a solid foundation for the Company's business operations. In addition, as the Company greatly values its relationships with major brewing partners, it proactively identified their needs, which translated into the development and launch of high-quality and differentiated malt products that cater for diversified customer needs.

As of 30 June 2013, the Company had three malt processing plants in Liaoning, Jiangsu and Inner Mongolia with a combined annual processing capacity of 740,000 metric tons. The plants in Liaoning and Jiangsu are strategically located near ports and the Company's end markets, which helps to lower transportation costs and allows the Company to effectively expand into nearby mid to high-end consumer markets. The Company's malt processing plant in Inner Mongolia is located near domestic barley farms and mainly produces malt products that satisfy the varied domestic market needs.

Looking ahead to the second half of the year, the arrival of the peak beer drinking season is expected to bring down inventory levels at breweries, which should help drive sales for the brewing materials business in the later months. The Company will closely monitor the market and enhance raw material sourcing to ensure a steady supply. It will also step up its efforts in R&D to create innovative processes and products, increase the number of value-added products in the product mix, and raise customer service standards in order to consolidate and expand market share.

## FINANCIAL REVIEW

### Overview of financial results for the six months ended 30 June 2013

| | Six months ended 30 June | | |
|---|---|---|---|
| | **2013** | 2012 | Change |
| | ***HK$ million*** | *HK$ million* | % |
| Revenue | **40,234.1** | 41,667.9 | (3.4)% |
| Cost of sales | **(37,450.8)** | (39,025.3) | (4.0)% |
| Gross profit | **2,783.3** | 2,642.6 | 5.3% |
| Other income and gains | **932.0** | 535.4 | 74.1% |
| Selling and distribution expenses | **(1,403.8)** | (1,275.5) | 10.1% |
| Administrative expenses | **(862.7)** | (738.0) | 16.9% |
| Other expenses | **(9.0)** | (73.6) | (87.8)% |
| Finance costs | **(322.5)** | (481.0) | (33.0)% |
| Share of profits of associates | **46.8** | 53.1 | (11.9)% |
| Profit before tax | **1,164.1** | 663.0 | 75.6% |
| Income tax expense | **(172.1)** | (90.1) | 91.0% |
| Profit for the period | **992.0** | 572.9 | 73.2% |
| Profit attributable to owners of the Company | **659.7** | 501.8 | 31.5% |

***Revenue***

During the period under review, the total revenue of the Group dropped 3.4% year-on-year to HK$40,234.1 million. Product sales fell slightly from the same period last year mainly caused by a decline in soybean meal sales as capacity utilisation rates were low. As the consumer demand for packaged oil products grew, the Group expanded its sales volume of mid-sized packaged oil products by 32.8% and improved the product mix of the Group. The sales volumes of fructose syrup, flour and noodle products also increased rapidly with a few production capacities coming on-stream. Among the Group's five business segments, the oilseeds processing business is the largest revenue contributor, accounting for 58.0% of the total revenue as compared to 62.5% of the corresponding period last year.

***Gross Profit and Gross Profit Margin***

The gross profit of the Group increased by HK$140.7 million to HK$2,783.3 million during the period (six months ended 30 June 2012: HK$2,642.6 million) and the gross profit margin rose to its current 6.9% from 6.3% during the same period last year. The gross profit margins of the oilseeds processing business and the biochemical and biofuel business grew steadily. The gross profit margin of the rice processing and trading business also rose on the back of increased volume in import and export businesses, as well as the improvement in product mix for domestic business. The rapid production capacity ramp-up of the wheat processing business had sporadically affected its ability to pass on rising costs to end customers, leading to a drop in gross profit margin. The gross profit margin of the brewing materials business still maintained at a comparatively high level.

***Other Income and Gains***

Other income and gains for the period were HK$932.0 million, up 74.1% from HK$535.4 million in the same period last year. It was mainly attributable to the substantial increase in exchange gains as a result of Renminbi appreciation for foreign currency liabilities during the period.

***Selling and Distribution Expenses***

For the six months ended 30 June 2013, selling and distribution expenses rose 10.1% year-on-year to HK$1,403.8 million. Selling and distribution expenses mainly consist of transportation and storage costs, salaries of salespeople, as well as marketing and promotion expenses, and various other costs. The increase was due to higher logistic costs, such as transportation costs, arising from the increases in sales volumes of rice import and export businesses, as well as the flour and noodle products during the period.

***Administrative Expenses***

Administrative expenses mainly consist of employee compensation and daily operation costs. During the period, administrative expenses increased by HK$124.7 million to HK$862.7 million (six months ended 30 June 2012: HK$738.0 million). The rise was mainly due to the increased salaries of employees and the expansion of the management teams with new production capacity putting into operation during the period.

***Finance Costs***

For the six months ended 30 June 2013, finance costs decreased significantly by HK$158.5 million to HK$322.5 million as a result of overall decline in the average bank borrowings and interest costs. An analysis of the finance costs by category is as follows:

| | Six months ended 30 June | |
|---|---|---|
| | **2013** | 2012 |
| | ***HK$ million*** | *HK$ million* |
| Interest on: | | |
| Bank loans wholly repayable within five years | **193.1** | 402.0 |
| Bank loans wholly repayable over five years | **16.9** | 7.1 |
| Loans from fellow subsidiaries | **36.1** | 13.4 |
| Loans from the ultimate holding company | **4.4** | – |
| Loan from an intermediate holding company | **46.9** | 44.4 |
| Convertible bonds | **52.8** | 51.9 |
| Total interest expenses on financial liabilities not at fair value through profit or loss | **350.2** | 518.8 |
| Less: Interest capitalised | **(27.7)** | (37.8) |
| | **322.5** | 481.0 |

***Income Tax Expense***

Income tax expense increased by HK$82.0 million to HK$172.1 million (six months ended 30 June 2012: HK$90.1 million) due to the increase in pre-tax profit for the period.

***Profit Attributable to Owners of the Company***

During the period, the profit attributable to owners of the Company grew 31.5% from a year earlier to HK$659.7 million (six months ended 30 June 2012: HK$501.8 million).

***Interim Dividend***

The Board has declared the payment of an interim dividend of 3.1 HK cents (six months ended 30 June 2012: 3.1 HK cents) per share for the six months ended 30 June 2013. This interim dividend will be payable on 8 October 2013 to shareholders whose names appear on the register of members of the Company on 17 September 2013.

**Significant Investments Held and Material Acquisitions and Disposals of Subsidiaries**

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

## Working Capital and Financial Policy

The Group adheres to a prudent financial management policy in the management of our financial affairs and centralises funding required for all business operations. The policy ensures that cash inflows generated from operating activities together with undrawn banking facilities are sufficient to meet the demands required for day-to-day operations, loan repayments, capital expenditure and potential business expansion opportunities, while effectively monitoring the Group's liquidity and financial resources. 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 with COFCO Finance Co., Ltd. through COFCO Agri-Industries Management Co., Ltd. (a subsidiary of the Company) for the purpose of achieving more efficient deployment and application of funds within the Group so as to reduce the average borrowing costs and better facilitate intra-Group settlement services. During the period, the Group enhanced the liquidity of funds, reduced finance costs and effectively monitored the use of funds through this treasury platform.

On 29 July 2013, pursuant to the terms and conditions of the 1.00% HK$ Fixed Rate Guaranteed Convertibles Bonds Due 2015, Glory River Holdings Limited (a wholly-owned subsidiary of the Company) had redeemed, at the option of bondholders, HK$2,668.5 million in principal amount of the convertible bonds at an aggregate early redemption amount of HK$2,750.6 million which was satisfied by part of the net proceeds raised from the rights issue in December 2012. Following the early redemption, the outstanding principal amount of the convertible bonds is HK$1,206.5 million. As certain bondholders elected not to exercise such put option, the total amount paid by Glory River Holdings Limited for the early redemption was lower than the Company's projection made at the time of the rights issue. In line with the proposed use of proceeds as disclosed in the rights issue announcement on 5 November 2012, the Company intends to use the remaining part of the net proceeds from the rights issue for the general working capital of the Company and other purposes the directors may consider in the interest of its shareholders.

By closely monitoring its exposures to fluctuations in exchange rates and commodity prices, the Group uses commodity futures contracts to timely hedge its risks associated with price fluctuations in raw material purchases or sales of the related products, as well as foreign currency forward contracts to mitigate exchange rate exposure.

## Cash and Bank Deposits

The Group had sufficient liquid funds with cash and bank deposits (including pledged deposits) amounting to HK$13,945.4 million (31 December 2012: HK$9,408.9 million) as at 30 June 2013. During the period, the Group recorded net cash inflow from operations of approximately HK$4,059.1 million (year ended 31 December 2012: HK$2,130.1 million). These liquid funds were mainly denominated in Hong Kong dollars, Renminbi and United States dollars.

**Bank Loans and Other Borrowings**

As at 30 June 2013, the total interest-bearing bank loans and other borrowings (including the liability component of convertible bonds) amounted to HK$33,864.6 million (31 December 2012: HK$32,188.9 million). The borrowings were mainly used for the daily operation and business expansion of the Group. These loans are repayable within the following periods:

| | **30 June 2013** *HK$ million* | 31 December 2012 *HK$ million* |
|---|---|---|
| Within one year or on demand | **30,711.2** | 26,433.9 |
| In the second year | **2,407.9** | 4,081.6 |
| In the third to fifth years, inclusive | **462.9** | 1,344.3 |
| Beyond five years | **282.6** | 329.1 |
| | **33,864.6** | 32,188.9 |

The interest-bearing bank loans carried annual interest rates ranging between 0.80% and 6.55% (31 December 2012: between 0.61% and 7.76%). Other borrowings (including the liability component of convertible bonds) carried annual interest rates ranging between 2.71% and 5.40% (31 December 2012: between 2.71% and 6.56%). As at 30 June 2013, the Group has pledged assets with an aggregate carrying value of HK$436.9 million (31 December 2012: HK$434.3 million) to secure bank loans and banking facilities of the Group. These interest-bearing bank loans and other borrowings were denominated in Hong Kong dollars, Renminbi and United States dollars. The Group had no unutilised committed banking facilities as at 30 June 2013 and 31 December 2012. The Group will continue to obtain financing on an unsecured basis whenever possible and supplement such borrowings with secured financing.

**Financial Ratios**

The Group's financial ratios at 30 June 2013 and 31 December 2012 are set out below:

| | **30 June 2013** | 31 December 2012 |
|---|---|---|
| Net gearing ratio (the ratio of net debt to shareholders' equity) | **71.2%** | 84.2% |
| Liquidity ratio (the ratio of current assets to current liabilities) | **1.09** | 1.19 |
| Quick ratio (the ratio of current assets less inventories to current liabilities) | **0.61** | 0.66 |

Net debt represents the Group's total interest-bearing bank loans and other borrowings (including the liability component of convertible bonds) less cash and cash equivalents and pledged deposits. Therefore, the net debt of the Group was HK$19,919.2 million at 30 June 2013 (31 December 2012: HK$22,780.0 million).

**Capital Expenditures**

The total capital expenditures of the Group for the period ended 30 June 2013 are tabulated below:

| | **Six months ended 30 June** | |
|---|---|---|
| | **2013** | 2012 |
| | ***HK$ million*** | *HK$ million* |
| Business units: | | |
| Oilseeds processing | **336.5** | 239.1 |
| Biochemical and biofuel | **487.2** | 893.5 |
| Rice processing and trading | **168.2** | 487.1 |
| Wheat processing | **118.2** | 345.6 |
| Brewing materials | **6.1** | 5.8 |
| Corporate and others | **110.4** | 364.8 |
| | **1,226.6** | 2,335.9 |

**Capital Commitments**

Capital commitments outstanding and not provided for in the Group's condensed consolidated interim financial information as at 30 June 2013 are set out below. These commitments are to be financed by loans and working capital of the Group.

| | **30 June** | 31 December |
|---|---|---|
| | **2013** | 2012 |
| | ***HK$ million*** | *HK$ million* |
| Capital commitments in respect of property, plant and equipment: | | |
| Authorised, but not contracted for | **886.4** | 1,374.4 |
| Contracted, but not provided for | **1,258.2** | 1,047.4 |
| | **2,144.6** | 2,421.8 |

## HUMAN RESOURCES

The Group employed 29,610 (31 December 2012: 27,829) staff as at 30 June 2013. The Group's employees are remunerated according to job nature, individual performance and market trends with built-in merit components. Total remuneration (including directors' and chief executive's remuneration) for the period ended 30 June 2013 amounted to approximately HK$943.4 million (six months ended 30 June 2012: HK$762.7 million). Employees in Hong Kong receive retirement benefits, mostly in form of a Mandatory Provident Fund entitlement, and a similar benefit scheme is offered to employees in Mainland China. Of the total remuneration, pension scheme contribution amounted to HK$94.1 million (six months ended 30 June 2012: HK$80.3 million) for the period.

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

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

## OUTLOOK

Looking ahead to the second half of this year, the income and consumption per capita will continue to rise with the domestic consumption is expected to continue to expand driven by rising urbanisation amid the moderate pickup of economic growth in China. The Group will focus on organic growth and development of core competencies by leveraging the solid foundation in its operations and strategic nationwide footprint, further strengthen its R&D and innovation and actively optimise the products mix in an effort to enhance the competitiveness of its products. At the same time, the Group will monitor the market trends to increase the sales efficiency of all business segments, proactively explore new markets and expand the customer base, and achieve greater economies of scale through maximising the use of new production capacity, thereby further solidifying its leading position in the food processing industry in China.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company during the six months ended 30 June 2013.

## INTERIM DIVIDEND

On 28 August 2013, the Board resolved to declare the payment of an interim dividend of 3.1 HK cents per ordinary share for the six months ended 30 June 2013 (the "2013 Interim Dividend") payable on 8 October 2013 to shareholders of the Company whose names appear on the register of members of the Company on 17 September 2013 (the "Record Date").

The "Notice Regarding Matters on Determination of Tax Residence Status of Chinese-controlled Offshore Incorporated Enterprises under Rules of Effective Management" was issued by the State Administration of Taxation of PRC (the "SAT") on 22 April 2009 (the "Notice"). The implementation of the Notice commenced on 1 January 2008. In the first half of 2013, the Company received the SAT approvals which confirmed that (i) the Company is regarded as a Chinese Resident Enterprise; and (ii) relevant enterprise income tax policies shall be applicable to the Company starting from 1 January 2013. Pursuant to the Notice, the "Enterprise Income Tax Law of the People's Republic of China" (the "Enterprise Income Tax Law") and the "Detailed Rules for the Implementation of the Enterprise Income Tax Law of the People's Republic of China" (the "Implementation Rules"), both implemented in 2008, the Company is required under the laws of the PRC to withhold and pay Enterprise Income Tax for its non-resident enterprise shareholders to whom the Company pays the 2013 Interim Dividend. The withholding and payment obligation lies with the Company.

Pursuant to (i) the Notice, (ii) the Enterprise Income Tax Law and the Implementation Rules, and (iii) the SAT approvals, the Company is required to withhold 10% enterprise income tax when it distributes the 2013 Interim Dividend to its non-resident enterprise shareholders. In respect of all shareholders whose names appear on the Company's register of members as at the Record Date who are not individuals (including HKSCC Nominees Limited, corporate nominees or trustees such as securities companies and banks, and other entities or organisations, which are all considered as non-resident enterprise shareholders), the Company will distribute the 2013 Interim Dividend after deducting enterprise income tax of 10%. The Company will not withhold and pay the income tax in respect of the 2013 Interim Dividend payable to any natural person shareholders whose names appear on the Company's register of members on the Record Date.

If any resident enterprise (as defined in the Enterprise Income Tax Law) listed on the Company's register of members which is duly incorporated in the PRC or under the laws of a foreign country (or a region) but with a PRC-based de facto management body, does not desire to have the Company withhold the said 10% enterprise income tax, it should lodge with Tricor Progressive Limited documents from its governing tax authority confirming that the Company is not required to withhold and pay enterprise income tax in respect of the dividend that it is entitled at or before 4:00 p.m. on 13 September 2013.

Investors should read the above carefully. If anyone would like to change the identity of the holders in the register of members, please enquire about the relevant procedures with the nominees or trustees. The Company will withhold for payment of the enterprise income tax for its non-resident enterprise shareholders strictly in accordance with the relevant laws and requirements of the relevant government departments and adhere strictly to the information set out in the Company's register of members on the Record Date. The Company assumes no liability whatsoever in respect of and will not entertain any claims arising from any delay in, or inaccurate determination of, the status of the shareholders or any disputes over the mechanism of withholding.

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed on Monday, 16 September 2013 and Tuesday, 17 September 2013, during which period no transfers of shares will be registered. In order to be qualified for entitlement to the 2013 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, 13 September 2013.

## CORPORATE GOVERNANCE CODE

During the period under review, the Company has complied with all the code provisions and, where appropriate, the applicable recommended best practices set out in the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") for the six months ended 30 June 2013.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the principal standards of securities transactions for directors of the Company. Each of the directors of the Company have confirmed, following specific enquiry by the Company, that they have complied with the required standards as set out in the Model Code during the six months ended 30 June 2013.

## REVIEW OF INTERIM RESULTS

The unaudited condensed consolidated interim financial information of the Company for the six months ended 30 June 2013 has been reviewed by the Audit Committee of the Company.

## PUBLICATION OF THE INTERIM RESULTS AND INTERIM REPORT

This results announcement is published on the Company's website *(http://www.chinaagri.com)* and the website of the Stock Exchange. The 2013 interim report of the Company containing all the relevant information required by Appendix 16 to the Listing Rules will be published on the aforementioned websites and despatched to shareholders of the Company on or before 19 September 2013.

By Order of the Board
**China Agri-Industries Holdings Limited**
**YU Xubo**
*Chairman*

Hong Kong, 28 August 2013

*As at the date of this announcement, the Board comprises: Mr. YU Xubo as chairman of the Board and executive director; Mr. LV Jun as executive director; Mr. NING Gaoning, Mr. MA Wangjun, Mr. YUE Guojun and Mr. WANG Zhiying as non-executive directors; and Mr. LAM Wai Hon, Ambrose, Mr. Victor YANG and Mr. Patrick Vincent VIZZONE as independent non-executive directors.*

*This announcement has been issued in English with a separate Chinese language translation. If there is any conflict in the announcement between the meaning of Chinese words or terms in the Chinese language version and English words in the English language version, the meaning of the English words shall prevail.*