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2013
INTERIM REPORT
中期業績報告

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

Stock Code 股份代號：606

2013
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中國糧油控股有限公司
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Contents

Corporate Information

Directors

Chairman of the Board and Executive Director

YU Xubo

Executive Director

LV Jun *(Managing Director)*

Non-executive Directors

NING Gaoning
MA Wangjun
YUE Guojun
WANG Zhiying

Independent Non-executive Directors

LAM Wai Hon, Ambrose
Victor YANG
Patrick Vincent VIZZONE

Audit Committee

LAM Wai Hon, Ambrose *(Chairman)*
Victor YANG
Patrick Vincent VIZZONE
MA Wangjun
WANG Zhiying

Remuneration Committee

Victor YANG *(Chairman)*
MA Wangjun
WANG Zhiying
LAM Wai Hon, Ambrose
Patrick Vincent VIZZONE

Nomination Committee

YU Xubo *(Chairman)*
WANG Zhiying
LAM Wai Hon, Ambrose
Victor YANG
Patrick Vincent VIZZONE

Executive Committee

LV Jun *(Chairman)*
YU Xubo

Qualified Accountant

CHAN Ka Lai, Vanessa

Company Secretary

LOOK Pui Fan

Auditors

Ernst & Young
Certified Public Accountants

Legal Advisor

Herbert Smith Freehills LLP

Registered Office

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

Share Registrar and Transfer Office

Tricor Progressive Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai, Hong Kong

Principal Bankers

Agricultural Bank of China Limited
Agricultural Development Bank of China
Australia and New Zealand Banking Group Limited
Banco Santander, S.A.
Bank of China Limited
Bank of China (Hong Kong) Limited
China Construction Bank (Asia) Corporation Limited
DBS Bank Limited
Industrial and Commercial Bank of China Limited
Rabobank International (Hong Kong Branch)
Standard Chartered Bank (Hong Kong) Limited
The Bank of Tokyo-Mitsubishi UFJ, Ltd.

Investor Relations

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Company Website

www.chinaagri.com

Stock Code

606

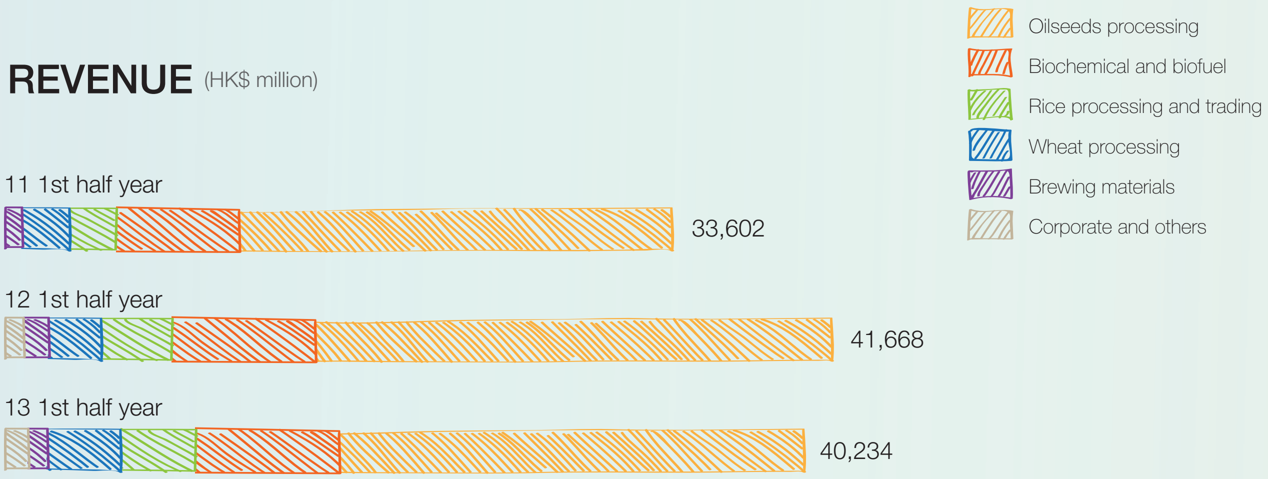
Financial Highlights

For the six months ended 30 June 2013

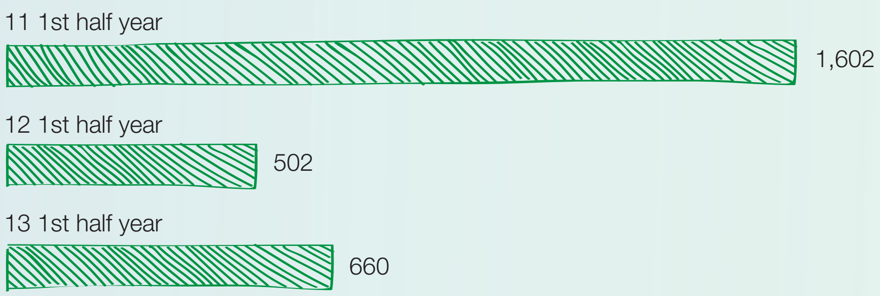
		For the six months ended 30 June		
	Unit	2013	2012	Increase/ (Decrease) %
Revenue:	HK$ million	**40,234.1**	41,667.9	(3%)
– Oilseeds processing	HK$ million	**23,345.9**	26,023.4	(10%)
– Biochemical and biofuel	HK$ million	**7,250.8**	7,217.3	0%
– Rice processing and trading	HK$ million	**3,795.3**	3,561.4	7%
– Wheat processing	HK$ million	**3,693.0**	2,646.8	40%
– Brewing materials	HK$ million	**983.1**	1,271.8	(23%)
– Corporate and others	HK$ million	**1,166.0**	947.2	23%
Profit before tax	HK$ million	**1,164.1**	663.0	76%
Operating profit (segment results)	HK$ million	**1,282.7**	962.2	33%
Operating profit before depreciation and amortisation	HK$ million	**1,962.9**	1,580.3	24%
Operating margin	%	**3.2**	2.3	N/A
Profit attributable to owners of the Company	HK$ million	**659.7**	501.8	31%
Earnings per share:				
– Basic	HK$	**0.1257**	0.1171#	7%
– Diluted	HK$	**0.1257**	0.1170#	7%
Interim dividend per share	HK$	**0.031**	0.031	0%
Closing price per share at period-end	HK$	**3.40**	4.23	(20%)
Market capitalisation at period-end	HK$ million	**17,849.6**	17,082.3	4%

restated

REVENUE (HK$ million)



PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY (HK$ million)



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 crop supply in North America 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 inventories 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 prices in China declined and remained at a low range due to high inventory levels and sluggish consumer demand.

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

Branded vegetable oil products

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 meal 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%, maintaining an industry leading level in China.

The industry's difficult operating environment and the complicated factors influencing the feedstock 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 low 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 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 meal 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.

Oil production line of COFCO East Ocean Oils & Grains Industries (Zhangjiagang) Co., Ltd.

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%.

Raw materials of corns

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 lacklustre 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. In addition, falling sugar cane prices made sweeteners a less attractive substitute for sugar cane during the 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 fell 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 groups. 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 consolidated market will further solidify the Company's leading position. China Agri will continue to strengthen its ability to develop new 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 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.

Loading of corn starch in COFCO Bio-Chemical Energy (Gongzhuling) Co., Ltd.

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 paddy supply and demand in China were basically balanced. However, the pass through of rising paddy costs to end consumers was proved to be difficult given fierce competition in the domestic rice market. Meanwhile, adequate supply from aboard 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

Paddy farm

Healthy rice cooked with "Fortune" brand rice products

from strategic partners. To cope with the price differences between imported rice and domestic rice, the Company fully leveraged its experience and strengths in international trading to import superior quality 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 players in catering, food processing and rice wine brewery, to enrich its sales channels. The Company also 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 safe and 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

Wheat field for contract farming

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 to various 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, grew 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.

Bread production line of COFCO TTC (Beijing) Foods Co., Ltd.

Brewing Materials Business

Barley field in Hulunbeier, Inner Mongolia

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. The lower demand for malt products was driven by sluggish growth in the beer market and downstream players' 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 meet 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.

Products of key malt customers

FINANCIAL REVIEW

Overview of Financial Results for the Six Months Ended 30 June 2013

	Six months ended 30 June		
	2013 HK$ million	2012 HK$ million	Change %
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 HK$ million	2012 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 report, the Group did not have any other significant investments held nor any material acquisitions and disposals of subsidiaries during the period.

Working Capital and Financial Policy

The Group 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 made 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 as at 30 June 2013 (31 December 2012: HK$9,408.9 million). 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 HK$ million	2012 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 2013 HK$ million	31 December 2012 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.

Hong Kong, 28 August 2013

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:

Share Options Granted on 7 August 2007

					Number of share options				
Category of participants	Date of grant (d–m–yyyy)	Exercise price per share (HK$) *(Note 2)*	Vesting date (d–m–yyyy)	Exercise period (d–m–yyyy)	At 1 January 2013	Adjustment for the rights issue *(Note 2)*	Exercised	Lapsed	At 30 June 2013
(A) Directors									
NING Gaoning	7–8–2007	4.399	7–8–2009	7–8–2009 to 6–8–2014	140,000	8,400	–	–	148,400
			7–8–2010	7–8–2010 to 6–8–2014	140,000	8,400	–	–	148,400
			7–8–2011	7–8–2011 to 6–8–2014	140,000	8,400	–	–	148,400
			7–8–2012	7–8–2012 to 6–8–2014	140,000	8,400	–	–	148,400
			7–8–2013	7–8–2013 to 6–8–2014	140,000	8,400	–	–	148,400
					700,000	42,000	–	–	742,000
YU Xubo	7–8–2007	4.399	7–8–2009	7–8–2009 to 6–8–2014	140,000	8,400	–	–	148,400
			7–8–2010	7–8–2010 to 6–8–2014	140,000	8,400	–	–	148,400
			7–8–2011	7–8–2011 to 6–8–2014	140,000	8,400	–	–	148,400
			7–8–2012	7–8–2012 to 6–8–2014	140,000	8,400	–	–	148,400
			7–8–2013	7–8–2013 to 6–8–2014	140,000	8,400	–	–	148,400
					700,000	42,000	–	–	742,000

Category of participants	Date of grant (d–m–yyyy)	Exercise price per share (HK$) *(Note 2)*	Vesting date (d–m–yyyy)	Exercise period (d–m–yyyy)	Number of share options: At 1 January 2013	Adjustment for the rights issue *(Note 2)*	Exercised	Lapsed	At 30 June 2013
LV Jun	7–8–2007	4.399	7–8–2009	7–8–2009 to 6–8–2014	–	–	–	–	–
			7–8–2010	7–8–2010 to 6–8–2014	130,000	7,750	–	–	137,750
			7–8–2011	7–8–2011 to 6–8–2014	130,000	7,750	–	–	137,750
			7–8–2012	7–8–2012 to 6–8–2014	130,000	7,750	–	–	137,750
			7–8–2013	7–8–2013 to 6–8–2014	130,000	7,750	–	–	137,750
					520,000	31,000	–	–	551,000
MA Wangjun	7–8–2007	4.399	7–8–2009	7–8–2009 to 6–8–2014	120,000	7,200	–	–	127,200
			7–8–2010	7–8–2010 to 6–8–2014	120,000	7,200	–	–	127,200
			7–8–2011	7–8–2011 to 6–8–2014	120,000	7,200	–	–	127,200
			7–8–2012	7–8–2012 to 6–8–2014	120,000	7,200	–	–	127,200
			7–8–2013	7–8–2013 to 6–8–2014	120,000	7,200	–	–	127,200
					600,000	36,000	–	–	636,000
YUE Guojun	7–8–2007	4.399	7–8–2009	7–8–2009 to 6–8–2014	130,000	7,800	–	–	137,800
			7–8–2010	7–8–2010 to 6–8–2014	130,000	7,800	–	–	137,800
			7–8–2011	7–8–2011 to 6–8–2014	130,000	7,800	–	–	137,800
			7–8–2012	7–8–2012 to 6–8–2014	130,000	7,800	–	–	137,800
			7–8–2013	7–8–2013 to 6–8–2014	130,000	7,800	–	–	137,800
					650,000	39,000	–	–	689,000
(B) Employees	7–8–2007	4.399	7–8–2009	7–8–2009 to 6–8–2014	2,051,000	119,632	–	57,000	2,113,632
			7–8–2010	7–8–2010 to 6–8–2014	4,530,000	264,842	–	57,000	4,737,842
			7–8–2011	7–8–2011 to 6–8–2014	4,476,000	261,842	–	–	4,737,842
			7–8–2012	7–8–2012 to 6–8–2014	4,476,000	261,842	–	–	4,737,842
			7–8–2013	7–8–2013 to 6–8–2014	4,476,000	261,842	–	19,000	4,718,842
					20,009,000	1,170,000	–	133,000	21,046,000
	Total				23,179,000	1,360,000	–	133,000	24,406,000

Share Options Granted on 31 March 2011

Category of participants	Date of grant (d–m–yyyy)	Exercise price per share (HK$) *(Note 2)*	Vesting date (d–m–yyyy)	Exercise period (d–m–yyyy)	Number of share options: At 1 January 2013	Adjustment for the rights issue *(Note 2)*	Exercised	Lapsed	At 30 June 2013
(A) Directors									
NING Gaoning	31–3–2011	8.220	31–3–2013	31–3–2013 to 30–3–2018	120,000	7,200	–	–	127,200
			31–3–2014	31–3–2014 to 30–3–2018	120,000	7,200	–	–	127,200
			31–3–2015	31–3–2015 to 30–3–2018	120,000	7,200	–	–	127,200
			31–3–2016	31–3–2016 to 30–3–2018	120,000	7,200	–	–	127,200
			31–3–2017	31–3–2017 to 30–3–2018	120,000	7,200	–	–	127,200
					600,000	36,000	–	–	636,000
YU Xubo	31–3–2011	8.220	31–3–2013	31–3–2013 to 30–3–2018	120,000	7,200	–	–	127,200
			31–3–2014	31–3–2014 to 30–3–2018	120,000	7,200	–	–	127,200
			31–3–2015	31–3–2015 to 30–3–2018	120,000	7,200	–	–	127,200
			31–3–2016	31–3–2016 to 30–3–2018	120,000	7,200	–	–	127,200
			31–3–2017	31–3–2017 to 30–3–2018	120,000	7,200	–	–	127,200
					600,000	36,000	–	–	636,000
LV Jun	31–3–2011	8.220	31–3–2013	31–3–2013 to 30–3–2018	110,000	6,600	–	–	116,600
			31–3–2014	31–3–2014 to 30–3–2018	110,000	6,600	–	–	116,600
			31–3–2015	31–3–2015 to 30–3–2018	110,000	6,600	–	–	116,600
			31–3–2016	31–3–2016 to 30–3–2018	110,000	6,600	–	–	116,600
			31–3–2017	31–3–2017 to 30–3–2018	110,000	6,600	–	–	116,600
					550,000	33,000	–	–	583,000
MA Wangjun	31–3–2011	8.220	31–3–2013	31–3–2013 to 30–3–2018	110,000	6,600	–	–	116,600
			31–3–2014	31–3–2014 to 30–3–2018	110,000	6,600	–	–	116,600
			31–3–2015	31–3–2015 to 30–3–2018	110,000	6,600	–	–	116,600
			31–3–2016	31–3–2016 to 30–3–2018	110,000	6,600	–	–	116,600
			31–3–2017	31–3–2017 to 30–3–2018	110,000	6,600	–	–	116,600
					550,000	33,000	–	–	583,000

Category of participants	Date of grant (d–m–yyyy)	Exercise price per share (HK$) *(Note 2)*	Vesting date (d–m–yyyy)	Exercise period (d–m–yyyy)	Number of share options: At 1 January 2013	Adjustment for the rights issue *(Note 2)*	Exercised	Lapsed	At 30 June 2013
YUE Guojun	31–3–2011	8.220	31–3–2013	31–3–2013 to 30–3–2018	110,000	6,600	–	–	116,600
			31–3–2014	31–3–2014 to 30–3–2018	110,000	6,600	–	–	116,600
			31–3–2015	31–3–2015 to 30–3–2018	110,000	6,600	–	–	116,600
			31–3–2016	31–3–2016 to 30–3–2018	110,000	6,600	–	–	116,600
			31–3–2017	31–3–2017 to 30–3–2018	110,000	6,600	–	–	116,600
					550,000	33,000	–	–	583,000
WANG Zhiying	31–3–2011	8.220	31–3–2013	31–3–2013 to 30–3–2018	110,000	6,600	–	–	116,600
			31–3–2014	31–3–2014 to 30–3–2018	110,000	6,600	–	–	116,600
			31–3–2015	31–3–2015 to 30–3–2018	110,000	6,600	–	–	116,600
			31–3–2016	31–3–2016 to 30–3–2018	110,000	6,600	–	–	116,600
			31–3–2017	31–3–2017 to 30–3–2018	110,000	6,600	–	–	116,600
					550,000	33,000	–	–	583,000
(B) Employees	31–3–2011	8.220	31–3–2013	31–3–2013 to 30–3–2018	8,230,000	488,400	–	25,400	8,693,000
			31–3–2014	31–3–2014 to 30–3–2018	8,230,000	488,400	–	177,800	8,540,600
			31–3–2015	31–3–2015 to 30–3–2018	8,230,000	488,400	–	177,800	8,540,600
			31–3–2016	31–3–2016 to 30–3–2018	8,230,000	488,400	–	177,800	8,540,600
			31–3–2017	31–3–2017 to 30–3–2018	8,230,000	488,400	–	177,800	8,540,600
					41,150,000	2,442,000	–	736,600	42,855,400
	Total				44,550,000	2,646,000	–	736,600	46,459,400

Notes:

1. *The amended vesting schedule under the share option scheme was approved by the shareholders on 25 May 2010 and the resulting amendments to the terms of the share options granted on 7 August 2007 took effect accordingly.*
2. *As a result of the completion of the rights issue in December 2012, the number of outstanding share options granted on 7 August 2007 and 31 March 2011, and the exercise prices thereof have been adjusted with effect from 28 March 2013.*

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

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2013, the interests and short positions of the Directors in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO), or which were recorded in the register kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") (together, "Discloseable Interests") were as follows:

Interests in the Shares and Underlying Shares of the Company

Name	Capacity	Number of shares held in long position	Number of underlying shares held in long position *(Note 1)*	Percentage *(Note 2)*
NING Gaoning	Beneficial owner	–	1,378,000	0.03%
YU Xubo	Beneficial owner and interest of spouse *(Note 3)*	235,364	1,378,000	0.03%
LV Jun	Beneficial owner	400,000	1,134,000	0.03%
MA Wangjun	Beneficial owner	–	1,219,000	0.02%
YUE Guojun	Beneficial owner	260,000	1,272,000	0.03%
WANG Zhiying	Beneficial owner	39,000	583,000	0.01%

Notes:

1. *These underlying shares are share options granted pursuant to the share option scheme of the Company, particulars of which are set out in the section "Share Option Scheme" above.*
2. *The percentage of interests is calculated based on the total number of shares of the Company in issue as at 30 June 2013, being 5,249,880,788 shares.*
3. *235,364 shares were held by the spouse of Mr. Yu Xubo.*

Interests in Underlying Shares of Associated Corporation

Name	Name of associated corporation	Capacity	Number of underlying shares held in long position *(Note 1)*	Percentage *(Note 2)*
NING Gaoning	China Foods Limited	Beneficial owner	1,620,000	0.06%

Notes:

1. *Mr. Ning Gaoning has been granted share options entitling him to subscribe an aggregate of 1,620,000 shares of China Foods Limited, of which: (i) 880,000 share options were granted 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; and (ii) 740,000 share options were granted on 29 March 2011 at an exercise price of HK$4.910 per share and, subject to a vesting schedule, exercisable during the period from 29 March 2013 to 28 March 2018.*
2. *The percentage of interests is calculated based on the total number of shares of China Foods Limited in issue as at 30 June 2013, being 2,797,223,396 shares.*

Save as disclosed above, as at 30 June 2013, none of the Directors, chief executive or their respective associates had any other Discloseable Interests.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES OF THE COMPANY

As at 30 June 2013, the following persons had an interest or short position in the shares and underlying shares of the Company as recorded in the register kept by the Company under section 336 of the SFO:

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

Notes:

1. *Long positions in the shares of the Company.*
2. *The percentage of interests is calculated based on the total number of shares of the Company in issue as at 30 June 2013, being 5,249,880,788 shares.*
3. *COFCO (Hong Kong) Limited is deemed to be interested in any shares held by Wide Smart Holdings Limited and COFCO (BVI) No.108 Limited, as it is entitled to control the exercise of or exercise one-third or more of the voting power at their general meetings.*
4. *COFCO Corporation is deemed to be interested in any shares held by Wide Smart Holdings Limited, COFCO (BVI) No.108 Limited and COFCO (Hong Kong) Limited, as it is entitled to control the exercise of or exercise one-third or more of the voting power at their general meetings.*

Save as disclosed above, as at 30 June 2013, so far as was known to the Directors, no other persons had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register kept by the Company under section 336 of the SFO.

PURCHASE, REDEMPTION OR SALE OF THE COMPANY'S LISTED SECURITIES

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

MODEL CODE

The Company has adopted the Model Code as the principal standards of securities transactions for Directors. Upon specific enquiries of all the Directors, each of them confirmed that they have complied with the required standards set out in the Model Code during the six months ended 30 June 2013.

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 2013, the Company has not received any non-compliance report from any of such employees.

CORPORATE GOVERNANCE

The Company recognises the importance of corporate transparency and accountability. The Directors are committed to achieving a high standard of corporate governance practices and procedures and striving for a transparent and accountable management framework on enhancing the interests of shareholders. The corporate governance principles of the Company 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.

During the six months ended 30 June 2013, the Company has complied with all the code provisions and, where appropriate, the applicable recommended best practices set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules.

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

DIRECTORS RE-ELECTED AT THE ANNUAL GENERAL MEETING

At the annual general meeting of the Company held on 6 June 2013, the Company re-elected Mr. Yu Xubo as an executive Director, Mr. Ma Wangjun as a non-executive Director, and Mr. Lam Wai Hon, Ambrose as an independent non-executive Director. Please refer to Appendix II to the Company's circular dated 26 April 2013 for their biographies and other information.

DISCLOSURE OF DIRECTORS' INFORMATION PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

The changes in the biographical details of the Directors since the publication of the 2012 annual report in April 2013 are set out below:

Mr. Yu Xubo, the Chairman of the Board and executive Director of the Company, was appointed as a non-executive director and the chairman of the board of China Modern Dairy Holdings Ltd. and ceased to be a director of Glory River Holdings Limited (a wholly-owned subsidiary of the Company and whose convertible bonds are listed and quoted on Singapore Exchange Securities Trading Limited). Moreover, Mr. Yu ceased to be the chairman of COFCO Meat Investment Company Limited but remains as a director.

Mr. Lv Jun, an executive Director of the Company, was appointed as a director of Glory River Holdings Limited.

Mr. Lam Wai Hon, Ambrose, an independent non-executive Director of the Company, was appointed as an independent non-executive director of Genting Hong Kong Limited.

Mr. Patrick Vincent Vizzone, an independent non-executive Director of the Company, is currently the Regional Head of Business Development for Consumer Sectors of Asia at National Australia Bank.

REVIEW OF INTERIM RESULTS

The unaudited condensed consolidated interim financial information of the Company for the six months ended 30 June 2013 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 3.1 HK cents (six months ended 30 June 2012: 3.1 HK cents) per share for the six months ended 30 June 2013 payable on Tuesday, 8 October 2013 to shareholders whose names appear on the register of members of the Company on Tuesday, 17 September 2013.

As disclosed in the Company's announcement made on 9 June 2013, the Company received the approvals of State Administration of Taxation of the People's Republic of China 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. Thus, the Company withheld 10% enterprise income tax when we distributed the final dividend for the year ended 31 December 2012 to the non-resident enterprise shareholders; and refunded those withheld for final dividends for the year 2008 to the year 2011 and interim dividends for the year 2009 to the year 2012. The Company will continuously implement relevant enterprise income tax withholding arrangement for upcoming dividends.

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 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.

INVESTOR RELATIONS

Investor relations have always been an important pillar of China Agri's corporate governance. The Company has a dedicated investor relations team to provide two-way communication between management and the investment community and continually update investors about the Company's latest business developments in a timely manner. The team also regularly engages management by passing along market feedback and opinions from the investment community to help improve the governance and operations of the Company.

In the first half of 2013, the Company continued to increase corporate transparency and improve the quality of information disclosure. Through organising a variety of investor relations activities, which included regular one-on-one meetings, conference calls and luncheons with both current and potential shareholders and analysts, investor concerns could be addressed in a timely manner. The Company held a press conference and analyst presentation after the release of its annual results, where the Company's management elaborated on financial performance and business strategies to the market. The Company's non-deal roadshows in Hong Kong and its participation in large-scale investor meetings organised by international investment banks also demonstrated its efforts to actively maintain communication with investors and strengthen their understanding of the Company's business.

The Company reviewed its shareholder structure regularly to monitor changes in the shareholder base to help the Company build a solid foundation for communicating with both existing and new shareholders and maintain a stable and diversified shareholder base. China Agri's shareholder base includes institutional investors from all over the world which accounted for 18% of the total issued capital of the Company. Among those, Institutional investors from North America accounted for 40%, while Asian based institutional investors accounted for 35%, European-based institutional investors accounted for 24% and the rest of the world made up 1%.

During the period under review, the Company was awarded the "Best CSR", "Best Investor Relations Company", and "Best Investor Relations Professional" by 3rd Asian Excellence Recognition Awards 2013 and "Asia's Icon on Corporate Governance – China" by 9th Corporate Governance Asia Recognition Awards. Mr. Lv Jun, Executive Director and Managing Director of the Company, was honoured with an "Asia's Best CEO – Investor Relations" award by 3rd Asian Excellence Recognition Awards 2013 and a "4th Asian Corporate Director" award by 9th Corporate Governance Asia Recognition Awards. The Company believes that receiving awards from these renowned institutions has demonstrated the market's recognition on China Agri's commitment to corporate governance and investor relations.

The Company is included as a constituent of several key benchmark indices, including the Hang Seng Composite Index, the Hang Seng Composite Industry Index – Consumer Goods, the Hang Seng Composite MidCap Index, the Hang Seng China-Affiliated Corporations Index, the Hang Seng Mainland 100, the Hang Seng Corporate Sustainability Index, the Hang Seng Corporate Sustainability Benchmark Index, the Hang Seng (Mainland and HK) Corporate Sustainability Index, and the FTSE Asian Sector Food and Beverage Index.

A number of analysts at investment banks and financial institutions currently cover and write research about the Company. For a complete list, please visit the Company's website at www.chinaagri.com.

Independent Review Report

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

Introduction

We have reviewed the interim financial information set out on pages 31 to 66 which comprises the condensed consolidated statement of financial position of China Agri-Industries Holdings Limited (the "Company") and its subsidiaries as at 30 June 2013 and the related condensed consolidated statement of income, comprehensive income, changes in equity and cash flows for the six-month then ended, and explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 *Interim Financial Reporting* ("HKAS 34").

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

Scope of Review

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

Conclusion

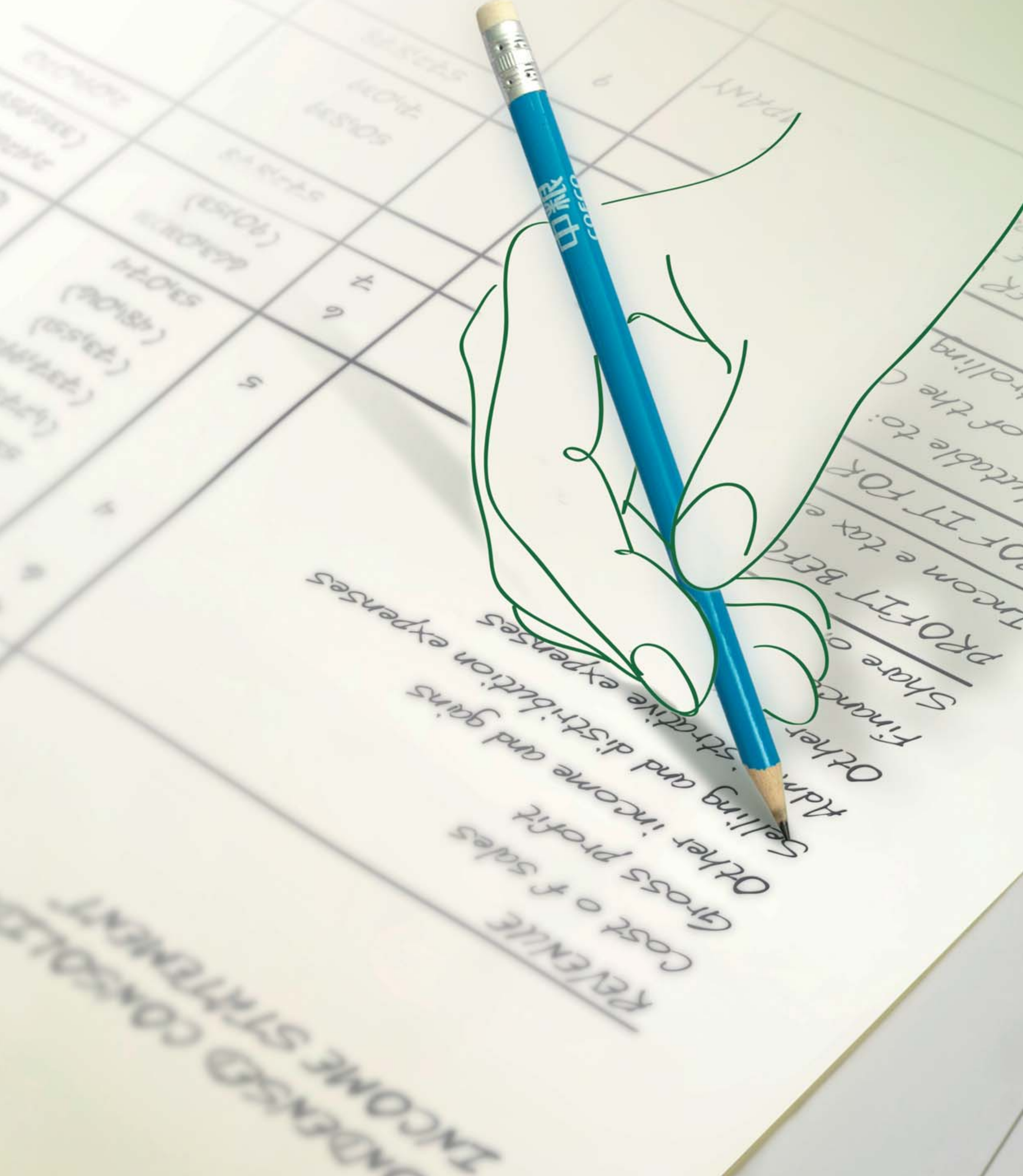
Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Ernst & Young
Certified Public Accountants

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

28 August 2013

Condensed Consolidated Interim Financial Information



CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2013

	Notes	For the six months ended 30 June 2013 HK$'000 (Unaudited)	For the six months ended 30 June 2012 HK$'000 (Unaudited)
REVENUE	4	**40,234,086**	41,667,893
Cost of sales	6	**(37,450,793)**	(39,025,255)
Gross profit		**2,783,293**	2,642,638
Other income and gains	4	**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	5	**(322,497)**	(481,016)
Share of profits of associates		**46,812**	53,074
PROFIT BEFORE TAX	6	**1,164,043**	663,031
Income tax expense	7	**(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	9		(Restated)
Basic		**12.57 HK cents**	11.71 HK cents
Diluted		**12.57 HK cents**	11.70 HK cents

Details of the dividend proposed for the period are disclosed in note 8 to the condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2013

	For the six months ended 30 June	
	2013 HK$'000 (Unaudited)	2012 HK$'000 (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

30 June 2013

	Notes	30 June 2013 HK$'000 (Unaudited)	31 December 2012 HK$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	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	17	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	11	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	17	2,145,872	2,893,822
Due from related companies	17	305,164	126,542
Due from the ultimate holding company	17	1,323	336
Due from non-controlling shareholders of subsidiaries	17	27,839	75,652
Due from associates	17	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	12	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	13	3,931,178	3,897,751
Due to fellow subsidiaries	17	845,788	304,489
Due to the ultimate holding company	17	773,574	3,596
Due to an intermediate holding company	17	45,711	45,819
Due to related companies	17	3,922	257,445
Due to non-controlling shareholders of subsidiaries	17	27,989	27,552
Due to associates	17	76,336	8,188
Tax payable		334,855	250,750
Total current liabilities		45,734,702	37,228,779
NET CURRENT ASSETS		4,188,128	6,929,141
TOTAL ASSETS LESS CURRENT LIABILITIES		36,146,359	37,375,655

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2013

	Notes	30 June 2013 HK$'000 (Unaudited)	31 December 2012 HK$'000 (Audited)
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**3,153,374**	5,755,039
Due to non-controlling shareholders of subsidiaries	17	**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	14	**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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2013

		Attributable to owners of the Company											
	Notes	Issued capital HK$'000 (unaudited)	Share premium HK$'000 (unaudited)	Capital reserve HK$'000 (unaudited)	Equity component of convertible bonds HK$'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)	Non-controlling interests HK$'000 (unaudited)	Total equity HK$'000 (unaudited)
At 1 January 2013		524,988	9,246,676*	4,747,281*	51,739*	126,145*	1,054,255*	2,669,046*	8,451,103*	183,746	27,054,979	3,429,030	30,484,009
Total comprehensive income for the period		–	–	–	–	–	–	418,055	659,677	–	1,077,732	396,519	1,474,251
Transfer from retained profits		–	–	–	–	–	2,140	–	(2,140)	–	–	–	–
Acquisition of non-controlling interests		–	–	1,723	–	–	–	–	–	–	1,723	843	2,566
Equity-settled share option arrangements	15	–	–	–	–	19,108	–	–	–	–	19,108	–	19,108
Dividends paid to non-controlling shareholders of subsidiaries		–	–	–	–	–	–	–	–	–	–	(40,311)	(40,311)
2012 final dividend declared		–	–	–	–	–	–	–	–	(183,746)	(183,746)	–	(183,746)
Proposed 2013 interim dividend	8	–	–	–	–	–	–	–	(162,746)	162,746	–	–	–
At 30 June 2013		524,988	9,246,676*	4,749,004*	51,739*	145,253*	1,056,395*	3,087,101*	8,945,894*	162,746	27,969,796	3,786,081	31,755,877

		Attributable to owners of the Company											
	Notes	Issued capital HK$'000 (unaudited)	Share premium HK$'000 (unaudited)	Capital reserve HK$'000 (unaudited)	Equity component of convertible bonds HK$'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)	Non-controlling interests HK$'000 (unaudited)	Total equity HK$'000 (unaudited)
At 1 January 2012		403,837	5,275,156	4,747,007	51,739	77,965	874,174	2,667,821	7,712,596	153,458	21,963,753	3,146,272	25,110,025
Total comprehensive income for the period		–	–	–	–	–	–	(110,664)	501,839	–	391,175	53,281	444,456
Transfer from retained profits		–	–	–	–	–	124,559	–	(124,559)	–	–	–	–
Contribution from a non-controlling shareholder		–	–	–	–	–	–	–	–	–	–	2,140	2,140
Acquisition of subsidiaries	16	–	–	–	–	–	–	–	–	–	–	10,153	10,153
Acquisition of non-controlling interests		–	(1,853)	–	–	–	–	–	–	–	(1,853)	(13,477)	(15,330)
Equity-settled share option arrangements	15	–	–	–	–	25,056	–	–	–	–	25,056	–	25,056
2011 final dividend declared		–	–	–	–	–	–	–	–	(153,458)	(153,458)	–	(153,458)
Proposed 2012 interim dividend	8	–	–	–	–	–	–	–	(125,189)	125,189	–	–	–
At 30 June 2012		403,837	5,273,303	4,747,007	51,739	103,021	998,733	2,557,157	7,964,687	125,189	22,224,673	3,198,369	25,423,042

* *These reserve accounts comprise the consolidated reserves of HK$27,282,062,000 (31 December 2012: HK$26,346,245,000) in the condensed consolidated statement of financial position.*

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2013

	For the six months ended 30 June	
	2013 HK$'000 (Unaudited)	2012 HK$'000 (Unaudited)
NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES	**4,059,112**	(968,508)
NET CASH FLOWS USED IN INVESTING ACTIVITIES	**(1,765,928)**	(2,672,436)
NET CASH FLOWS FROM FINANCING ACTIVITIES	**1,984,815**	3,685,286
NET INCREASE IN CASH AND CASH EQUIVALENTS	**4,277,999**	44,342
Cash and cash equivalents at beginning of period	**9,387,222**	9,175,653
Effects of foreign exchange rate changes, net	**199,467**	(67,146)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**13,864,688**	9,152,849
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**11,725,803**	8,301,629
Non-pledged time deposits with original maturity of less than three months when acquired	**1,209,878**	851,220
Bank wealth management products	**929,007**	–
	13,864,688	9,152,849

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 June 2013

1. CORPORATE INFORMATION

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

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

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

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

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

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

The unaudited condensed consolidated interim financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's financial statements for the year ended 31 December 2012.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 June 2013

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

The accounting policies and basis of preparation adopted in the preparation of the unaudited condensed consolidated interim financial information are the same as those used in the annual financial statements of the Group for the year ended 31 December 2012, except in relation to the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting 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 had no significant impact on the Group's condensed consolidated interim financial information.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 June 2013

3. OPERATING SEGMENT INFORMATION

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

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

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

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

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

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

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

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 June 2013

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 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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 June 2013

3. OPERATING SEGMENT INFORMATION (Continued)

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 June 2013

4. REVENUE, OTHER INCOME AND GAINS

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

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

	For the six months ended 30 June	
	2013 HK$'000 (Unaudited)	2012 HK$'000 (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 (note 10)	**13,430**	8,002
Realised and unrealised fair value gains on foreign currency forward contracts, net (note 6)	**2,017**	–
Gains on foreign exchange, net	**525,249**	–
Gain on bargain purchase (note 16)	**–**	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.*

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 June 2013

5. FINANCE COSTS

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

	For the six months ended 30 June	
	2013 HK$'000 (Unaudited)	2012 HK$'000 (Unaudited)
Interest on:		
Bank loans wholly repayable within five years	**193,102**	401,986
Bank loans wholly repayable over five years	**16,924**	7,120
Loans from fellow subsidiaries	**36,100**	13,424
Loans from the ultimate holding company	**4,383**	–
Loan from an intermediate holding company	**46,874**	44,398
Convertible bonds	**52,802**	51,915
Total interest expenses on financial liabilities not at fair value through profit or loss	**350,185**	518,843
Less: Interest capitalised	**(27,688)**	(37,827)
	322,497	481,016

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 June 2013

6. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2013 HK$'000 (Unaudited)	2012 HK$'000 (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 (note 10)	**(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.*

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 June 2013

7. 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 HK$'000 (Unaudited)	**2012 HK$'000 (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

8. DIVIDEND

On 28 August 2013, the board of directors 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).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 June 2013

9. 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 HK$'000 (Unaudited)	2012 HK$'000 (Unaudited)
Profit attributable to ordinary equity holders of the Company used in the basic and diluted earnings per share calculations	**659,677**	501,839

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 June 2013

9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY (Continued)

Number of shares

	For the six months ended 30 June	
	2013 (Unaudited)	2012 (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.*

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2013, the Group acquired items of property, plant and equipment with a total cost of HK$1,137,984,000 (six months ended 30 June 2012: HK$2,001,830,000), not including property, plant and equipment acquired through business combinations.

Items of property, plant and equipment with a net book value of HK$35,117,000 (six months ended 30 June 2012: HK$24,508,000) were disposed of by the Group during the six months ended 30 June 2013, resulting in a net gain on disposal of HK$13,430,000 (six months ended 30 June 2012: HK$8,002,000).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 June 2013

11. ACCOUNTS AND BILLS RECEIVABLES

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

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

	30 June 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

12. 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.

13. CONVERTIBLE BONDS

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

The Convertible Bonds are convertible at the option of the bondholders into ordinary shares of the Company on or after 8 September 2010 up to 19 July 2015. The initial conversion price is HK$11.375 per share and the conversion price is subject to adjustment upon occurrence of certain adjustment events subsequently. Pursuant to the terms and conditions of the Convertible Bonds, conversion price adjustments had been made correspondingly as a result of the declaration of dividends by the Company for the years ended 31 December 2010, 2011 and 2012 and, most recently, the conversion price of the Convertible Bonds had been adjusted to HK$10.175 per share with effect from 26 November 2012 as a result of the rights issue of the Company.

The Issuer will, at the option of the bondholders, redeem all or part of such holder's bonds on 29 July 2013 at a certain predetermined early redemption amount (the "Early Redemption Amount") as at the relevant date fixed for redemption, together with interest accrued but unpaid to such date. Upon fulfilling certain predetermined conditions, the Convertible Bonds are redeemable in whole but not in part at the option of the Issuer at any time after 29 July 2013 at the Early Redemption Amount as at the relevant date fixed for redemption, together with interest accrued but unpaid to such date. The Early Redemption Amount to be repaid to the holder thereof on the relevant date is based on a gross yield to maturity identical to that applicable in the case of the redemption on the Maturity Date, being 2% per annum (calculated on a semi-annual basis).

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 June 2013

14. SHARE CAPITAL

	30 June 2013 HK$'000 (Unaudited)	31 December 2012 HK$'000 (Audited)
Authorised:		
10,000,000,000 (31 December 2012: 10,000,000,000) ordinary shares of HK$0.1 each	**1,000,000**	1,000,000
Issued and fully paid:		
5,249,880,788 (31 December 2012: 5,249,880,788) ordinary shares of HK$0.1 each	**524,988**	524,988

15. SHARE OPTION SCHEME

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

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 June 2013

15. SHARE OPTION SCHEME (Continued)

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

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

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

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 June 2013

15. SHARE OPTION SCHEME (Continued)

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

	2013		2012	
	Weighted average exercise price HK$ per share	Number of options '000 (Unaudited)	Weighted average exercise price HK$ per share	Number of options '000 (Unaudited)
At 1 January	4.666	23,179	4.666	23,579
Additional options arising from the Adjustments	4.399	1,360	–	–
Forfeited during the period	4.399	(133)	4.666	(200)
At 30 June	4.399	24,406	4.666	23,379

The vesting periods, exercise price and exercise periods of the 2007 Options outstanding as at 30 June 2013 and 2012 are as follows:

30 June 2013					
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)
560	2,114	2,674	7–8–2007 to 6–8–2009	4.399	7–8–2009 to 6–8–2014
700	4,738	5,438	7–8–2007 to 6–8–2010	4.399	7–8–2010 to 6–8–2014
700	4,738	5,438	7–8–2007 to 6–8–2011	4.399	7–8–2011 to 6–8–2014
700	4,738	5,438	7–8–2007 to 6–8–2012	4.399	7–8–2012 to 6–8–2014
700	4,718	5,418	7–8–2007 to 6–8–2013	4.399	7–8–2013 to 6–8–2014
3,360	21,046	24,406			

30 June 2012					
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	2,051	2,581	7–8–2007 to 6–8–2009	4.666	7–8–2009 to 6–8–2014
660	4,630	5,290	7–8–2007 to 6–8–2010	4.666	7–8–2010 to 6–8–2014
660	4,576	5,236	7–8–2007 to 6–8–2011	4.666	7–8–2011 to 6–8–2014
660	4,476	5,136	7–8–2007 to 6–8–2012	4.666	7–8–2012 to 6–8–2014
660	4,476	5,136	7–8–2007 to 6–8–2013	4.666	7–8–2013 to 6–8–2014
3,170	20,209	23,379			

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 June 2013

15. SHARE OPTION SCHEME (Continued)

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

	2013		2012	
	Weighted average exercise price HK$ per share	Number of options '000 (Unaudited)	Weighted average exercise price HK$ per share	Number of options '000 (Unaudited)
At 1 January	8.720	44,550	8.720	45,300
Additional options arising from the Adjustments	8.220	2,646	–	–
Forfeited during the period	8.220	(737)	–	–
At 30 June	8.220	46,459	8.720	45,300

The vesting periods, exercise price and exercise periods of the 2011 Options outstanding as at 30 June 2013 and 2012 are as follows:

30 June 2013					
Number of options granted to					
Directors '000	Employees '000	Total '000	Vesting period (dd–m–yyyy)	Exercise price per share HK$	Exercise period (dd–m–yyyy)
720	8,691	9,411	31–3–2011 to 30–3–2013	8.220	31–3–2013 to 30–3–2018
721	8,541	9,262	31–3–2011 to 30–3–2014	8.220	31–3–2014 to 30–3–2018
721	8,541	9,262	31–3–2011 to 30–3–2015	8.220	31–3–2015 to 30–3–2018
721	8,541	9,262	31–3–2011 to 30–3–2016	8.220	31–3–2016 to 30–3–2018
721	8,541	9,262	31–3–2011 to 30–3–2017	8.220	31–3–2017 to 30–3–2018
3,604	42,855	46,459			

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 June 2013

15. SHARE OPTION SCHEME (Continued)

30 June 2012					
Number of options granted to					
Directors '000	Employees '000	Total '000	Vesting period (dd–m–yyyy)	Exercise price per share HK$	Exercise period (dd–m–yyyy)
680	8,380	9,060	31–3–2011 to 30–3–2013	8.720	31–3–2013 to 30–3–2018
680	8,380	9,060	31–3–2011 to 30–3–2014	8.720	31–3–2014 to 30–3–2018
680	8,380	9,060	31–3–2011 to 30–3–2015	8.720	31–3–2015 to 30–3–2018
680	8,380	9,060	31–3–2011 to 30–3–2016	8.720	31–3–2016 to 30–3–2018
680	8,380	9,060	31–3–2011 to 30–3–2017	8.720	31–3–2017 to 30–3–2018
3,400	41,900	45,300			

The aggregate fair values of the 2007 Options and the 2011 Options granted during prior years were amounted to approximately HK$222,075,000 of which the Group recognised share option expenses of HK$19,108,000 during the period (six months ended 30 June 2012: HK$25,056,000).

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

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 June 2013

16. BUSINESS COMBINATIONS

Business combinations for the six months ended 30 June 2013

There is no business combination incurred during the six months ended 30 June 2013.

Business combinations for the six months ended 30 June 2012

(a) During the six months ended 30 June 2012, the Group acquired 100% equity interest in Poly Idea Investments Limited ("Poly Idea") together with the shareholder's loan from COFCO HK, an intermediate holding company of the Company, at a cash consideration of approximately HK$35,694,000. Poly Idea is an investment holding company, which holds 77.04% equity interest in COFCO Tayuan Safflower (Xinjiang) Co., Limited* ("Tayuan"). Tayuan is engaging in the processing and sales of safflower oil and rapeseed oil.

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

The fair values of the identifiable assets and liabilities of Poly Idea and its subsidiary and the shareholder's loan at the date of acquisition were as follows:

	Fair value recognised on acquisition HK$'000
Property, plant and equipment	18,294
Prepaid land premiums	10,239
Intangible assets	4,593
Inventories	18,963
Accounts and bills receivables	12,151
Prepayments, deposits and other receivables	1,106
Cash and cash equivalents	12,948
Accounts and bills payables	(28,393)
Other payables and accruals	(5,737)
Deferred tax liabilities	(115)
Total identifiable net assets at fair value	44,049
Non-controlling interest	(10,153)
Goodwill on acquisition	1,798
	35,694
Satisfied by cash	35,694

* *For identification purpose only*

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 June 2013

16. BUSINESS COMBINATIONS (Continued)

Business combinations for the six months ended 30 June 2012 (Continued)

(a) (Continued)

An analysis of the cash flows in respect of the acquisition of Poly Idea and the shareholder's loan is as follows:

	For the six months ended 30 June 2012 HK$'000
Cash consideration	(35,694)
Cash and cash equivalents acquired	12,948
Net outflow of cash and cash equivalents in respect of the acquisition of Poly Idea and the shareholder's loan	(22,746)

During the six months ended 30 June 2012, Poly Idea and Tayuan generated revenue and net loss of approximately HK$16,213,000 and HK$3,784,000, respectively. Since the acquisition date, Poly Idea and Tayuan contributed revenue of HK$3,148,000 to the Group and contributed a net loss of approximately HK$1,697,000 to the Group's consolidated profit for the period ended 30 June 2012.

(b) During the six months ended 30 June 2012, the Group acquired 100% equity interest in Sharp Global Limited ("Sharp Global") together with the shareholder's loan from Full Great Investments Limited, a fellow subsidiary of the Group, at a cash consideration of approximately HK$117,951,000. Sharp Global is an investment holding company, which holds 100% equity interest in COFCO TECH Bioengineering (Tianjin) Co., Limited* ("COFCO TECH"). COFCO TECH is engaging in producing, processing and trading of food additives, and microencapsulating natural active substances.

* *For identification purpose only*

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 June 2013

16. BUSINESS COMBINATIONS (Continued)

Business combinations for the six months ended 30 June 2012 (Continued)

(b) (Continued)

The fair values of the identifiable assets and liabilities of Sharp Global and its subsidiary and the shareholder's loan as at the date of acquisition were as follows:

	Fair value recognised on acquisition HK$'000
Property, plant and equipment	77,984
Prepaid land premiums	20,400
Intangible assets	6,406
Inventories	108,074
Accounts and bills receivables	3,164
Prepayments, deposits and other receivables	25,440
Cash and cash equivalents	21,671
Interest-bearing bank borrowings	(76,617)
Accounts and bills payables	(22,876)
Other payables and accruals	(38,456)
Deferred tax liabilities	(4,053)
Total identifiable net assets at fair value	121,137
Gain on bargain purchase recognised in other income and gains in the condensed consolidated income statement (note 4)	(3,186)
	117,951
Satisfied by cash	117,951

An analysis of the cash flows in respect of the acquisition of Sharp Global and the shareholder's loan is as follows:

	For the six months ended 30 June 2012 HK$'000
Cash consideration	(117,951)
Cash and cash equivalents acquired	21,671
Net outflow of cash and cash equivalents in respect of the acquisition of Sharp Global and the shareholder's loan	(96,280)

During the six months ended 30 June 2012, Sharp Global and COFCO TECH generated revenue and net profit of approximately HK$172,524,000 and HK$17,491,000, respectively. Since the acquisition date, Sharp Global and COFCO TECH contributed revenue of HK$71,587,000 to the Group and contributed a net profit of approximately HK$5,436,000 to the Group's consolidated profit for the period ended 30 June 2012.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 June 2013

17. RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

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

		For the six months ended 30 June	
	Notes	2013 HK$'000 (Unaudited)	2012 HK$'000 (Unaudited)
Transactions with fellow subsidiaries:			
Sales of goods	(i)	**4,259,640**	3,870,400
Purchases of goods	(i)	**3,877,954**	1,944,342
Operating lease rental paid	(i)	**2,086**	2,012
Interest expense	(ii)	**36,100**	13,424
Brokerage fee paid	(i)	**15,523**	12,197
Logistic service and storage income	(i)	**59**	488
Processing service and other income	(i)	**37,647**	4,141
Transactions with the ultimate holding company:			
Operating lease rental paid	(i)	**9,892**	8,281
Interest expense	(ii)	**4,383**	–
Transaction with an intermediate holding company:			
Interest expense	(ii)	**46,874**	44,398
Transactions with associates:			
Sales of goods	(i)	**636,845**	1,492,662
Purchases of goods	(i)	**263,983**	51,322
Interest income	(iii)	**3,107**	2,401
Other service income	(i)	**665**	2,884
Transactions with related companies#:			
Sales of goods	(i)	**158,272**	140,246
Purchases of goods	(i)	**1,169,061**	3,610,908
Brokerage fee paid	(i)	**2,167**	4,624
Transactions with non-controlling shareholders of subsidiaries:			
Sales of goods	(i)	**211,843**	464,624
Purchases of goods	(i)	**47,301**	51,983

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 June 2013

17. RELATED PARTY TRANSACTIONS (Continued)

(a) Transactions with related parties *(Continued)*

Notes:

(i) Except for the transactions with a fellow subsidiary for sales of goods of HK$214,469,000 (six months ended 30 June 2012: HK$55,414,000) and with an associate for sales of goods of HK$80,816,000 (six months ended 30 June 2012: HK$186,224,000), which were carried out at cost, other transactions were carried out with reference to the prevailing market prices or, where no market prices were available, at cost plus a percentage of profit mark-up.

(ii) The interest expense to fellow subsidiary arose from loans from a fellow subsidiary, which were unsecured and bore interest rates ranged from 5.04% to 6.56% per annum (six months ended 30 June 2012: 6.06% to 6.56% per annum). The interest expenses to the ultimate holding company arose from the loans from COFCO which were unsecured and bore interest at a rate of 5.32% per annum (six months ended 30 June 2012: Nil). The interest expense to an intermediate holding company arose from loans from COFCO HK which was unsecured and bore interest at rates of 3.4% and 4.2% per annum (six months ended 30 June 2012: 3.4% and 4.2% per annum).

(iii) The interest income arose from loans to an associate, which were unsecured and bore interest rates of 2.5% and 4.0% per annum (six months ended 30 June 2012: 2.0% and 2.5% per annum).

(b) Outstanding balances with related parties

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

(1) Loans from a fellow subsidiary of HK$1,249,058,000 (31 December 2012: HK$1,541,592,000), which bore interest at rates ranged from 5.04% to 5.40% per annum (31 December 2012: 5.04% to 6.56% per annum) and will be repaid within one year. Loans from an intermediate holding company of HK$2,676,914,000 (31 December 2012: HK$2,630,032,000), which bore interest at rates of 3.4% and 4.2% per annum (31 December 2012: 3.4% and 4.2% per annum), will be repaid within one year. Loans from the ultimate holding company which bore interest at a rate of 5.32% per annum (31 December 2012: 5.32% per annum) were repaid during the six months ended 30 June 2013.

(2) Loans to an associate of HK$209,528,000 (31 December 2012: HK$205,846,000), bore interest rates of 2.5% and 4.0% per annum (31 December 2012: 2.5% per annum).

(3) Amounts due to non-controlling shareholders of subsidiaries of HK$209,277,000 (31 December 2012: HK$207,693,000), which are financing in nature and not repayable within one year from the end of the reporting period.

(c) Commitments with related parties

During the period ended 30 June 2013, the Group entered into sales agreements with China National Vegetable Oil Corporation ("CNV Oil"), a fellow subsidiary of the Group, pursuant to which the Group agrees to sell vegetable oil to CNV Oil. The Group expects that these transactions will be taken place in the second half of 2013 and the total sales to CNV Oil pursuant to such agreements to be approximately HK$288,581,000.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 June 2013

17. RELATED PARTY TRANSACTIONS (Continued)

(c) *Commitments with related parties (Continued)*

Besides, during the period ended 30 June 2013, the Group entered into purchase agreements with Toepfer International-Asia Pte Limited ("Toepfer") and Wilmar Trading Pte Limited ("Wilmar"), the related companies of the Group, pursuant to which the Group agrees to purchase vegetable oil and palm oil from Toepfer and Wilmar. The Group expects that these transactions will be taken place in the second half of 2013 and the total purchases from Toepfer and Wilmar pursuant to such agreements to be approximately HK$447,642,000.

There were no such significant commitments with related parties for the period ended 30 June 2012.

The amount of total transactions with related parties for the period is included in note 17(a) to the condensed consolidated interim financial information. The transactions were carried out with reference to the prevailing market prices or, where no market prices were available, at cost plus a percentage of profit mark-up.

(d) *Compensation of key management personnel of the Group*

	For the six months ended 30 June	
	2013 HK$'000 (Unaudited)	2012 HK$'000 (Unaudited)
Short term employee benefits	**6,520**	3,987
Post-employment benefits	**118**	166
Equity-settled share option expense	**1,923**	2,501
Total compensation paid to key management personnel	**8,561**	6,654

(e) *Transactions with other state-owned enterprises*

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 June 2013

18. OPERATING LEASE ARRANGEMENTS

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

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

	30 June 2013 HK$'000 (Unaudited)	31 December 2012 HK$'000 (Audited)
Within one year	**12,488**	11,390
In the second to fifth years, inclusive	**15,171**	14,648
After five years	**45,014**	45,334
	72,673	71,372

19. CAPITAL COMMITMENTS

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

	30 June 2013 HK$'000 (Unaudited)	31 December 2012 HK$'000 (Audited)
Capital commitments in respect of property, plant and equipment:		
Authorised, but not contracted for	**886,357**	1,374,358
Contracted, but not provided for	**1,258,255**	1,047,456
	2,144,612	2,421,814

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 June 2013

20. OTHER COMMITMENTS

(a) Commitments under commodity futures contracts

	30 June 2013 HK$'000 (Unaudited)	31 December 2012 HK$'000 (Audited)
Sales of soybean meals	**3,603,580**	405,509
Sales of soybean	**7,046,249**	10,674,723
Sales of rapeseed meal	**407,288**	84,772
Sales of vegetable oil	**2,596,366**	36,047
Sales of palm oil	**4,121,243**	2,077,326
Sales of corn	**683,359**	–
Sales of rapeseed	**75,381**	–
Sales of soybean oil	**–**	5,845,474
Sales of early grains	**–**	1,993
	18,533,466	19,125,844
Purchases of soybean	**1,200,506**	1,638,049
Purchases of wheat	**634**	–
Purchases of corn	**15,215**	29,288
Purchases of soybean meals	**–**	614,579
Purchases of palm oil	**–**	249,170
	1,216,355	2,531,086

(b) Commitments under foreign currency forward contracts

	30 June 2013 HK$'000 (Unaudited)	31 December 2012 HK$'000 (Audited)
Sales of United States dollars	**4,661**	17,108
Sales of Euro	**–**	2,033
	4,661	19,141

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 June 2013

21. FAIR VALUE AND FAIR VALUE HIERARCHY

The carrying amounts and fair values of the Group's financial instruments are as follows:

	Carrying amounts		Fair values	
	30 June 2013 HK$'000 (Unaudited)	31 December 2012 HK$'000 (Audited)	30 June 2013 HK$'000 (Unaudited)	31 December 2012 HK$'000 (Audited)
Financial assets				
Available-for-sale investments	**665,746**	1,276,779	**665,746**	1,276,779
Accounts and bills receivables	**3,950,130**	4,163,086	**3,950,130**	4,163,086
Financial assets included in prepayments, deposits and other receivables	**2,405,492**	2,339,559	**2,405,492**	2,339,559
Derivative financial instruments	**623,983**	333,318	**623,983**	333,318
Due from related parties	**3,457,322**	4,435,867	**3,457,322**	4,435,867
Pledged deposits	**80,693**	21,708	**80,693**	21,708
Cash and cash equivalents	**13,864,688**	9,387,222	**13,864,688**	9,387,222
	25,048,054	21,957,539	**25,048,054**	21,957,539
Financial liabilities				
Accounts and bills payables	**6,752,853**	3,434,745	**6,752,853**	3,434,745
Financial liabilities included in other payables and accruals	**3,611,146**	3,497,540	**3,611,146**	3,497,540
Derivative financial instruments	**16,708**	123,734	**16,708**	123,734
Interest-bearing bank and other borrowings	**29,933,433**	28,291,174	**29,933,433**	28,291,174
Convertible bonds	**3,931,178**	3,897,751	**3,931,178**	3,897,751
Due to related parties	**1,741,699**	789,793	**1,741,699**	789,793
	45,987,017	40,034,737	**45,987,017**	40,034,737

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

The fair value of cash and cash equivalents, the current portion of pledged deposits, accounts and bills receivables, accounts and bills payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, balances with related parties, current portion of bank wealth management products included in available-for-sale investments, approximate to their carrying amounts largely due to the short term maturities of these instruments.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 June 2013

21. FAIR VALUE AND FAIR VALUE HIERARCHY (Continued)

The fair values of the balances with related parties, non-current portion of bank wealth management products included in available-for-sale investments, interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments on similar terms, credit risk and remaining maturities. The fair value of the liability portion of the convertible bonds is estimated using an equivalent market interest rate for a similar convertible bond.

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

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments:

Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs).

21. FAIR VALUE AND FAIR VALUE HIERARCHY (Continued)

Fair value hierarchy (Continued)

Assets measured at fair value

Group

As at 30 June 2013

	Level 1 HK$'000 (Unaudited)	Level 2 HK$'000 (Unaudited)	Level 3 HK$'000 (Unaudited)	Total HK$'000 (Unaudited)
Derivative financial instruments	**623,983**	**–**	**–**	**623,983**

As at 31 December 2012

	Level 1 HK$'000 (Audited)	Level 2 HK$'000 (Audited)	Level 3 HK$'000 (Audited)	Total HK$'000 (Audited)
Derivative financial instruments	333,318	–	–	333,318

Liabilities measured at fair value

Group

As at 30 June 2013

	Level 1 HK$'000 (Unaudited)	Level 2 HK$'000 (Unaudited)	Level 3 HK$'000 (Unaudited)	Total HK$'000 (Unaudited)
Derivative financial instruments	**16,708**	**–**	**–**	**16,708**

As at 31 December 2012

	Level 1 HK$'000 (Audited)	Level 2 HK$'000 (Audited)	Level 3 HK$'000 (Audited)	Total HK$'000 (Audited)
Derivative financial instruments	123,734	–	–	123,734

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 June 2013

22. EVENTS AFTER THE REPORTING PERIOD

(a) Pursuant to the terms and conditions of the Convertible Bonds, on 29 July 2013, Glory River Holdings Limited 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 and certain of its subsidiaries are regarded as Chinese Resident Enterprises (collectively the "CREs") and relevant enterprise income tax policies of the PRC are applicable to the CREs commencing from 1 January 2013. Therefore, the Company has implemented enterprise income tax withholding arrangement in respect of any 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 its dividend distributions, to the then non-Chinese Resident Enterprise shareholders whose names appear on the Company’s register of members on the relevant record dates.

23. 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 28 August 2013.

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