中粮 COFCO

提 升 產 品 力
Enhance product competitiveness

2013 ANNUAL REPORT

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

Stock Code: 606

2013 Annual Report

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

China Agri at a glance

Our core business

Oilseeds processing business

Market position One of the largest vegetable oil and oilseed meal producers in China

Major products Soybean oil, palm oil, rapeseed oil and oilseed meal

Major brands Fuzhanggui (福掌柜), Sihai (四海), Xiyingying (喜盈盈) and Guhua (谷花)

Market position

Major products

Major brands

Biochemical and biofuel business

Market position One of the largest corn processors in China and a leading fuel ethanol producer

Major products Biochemical: Corn starch, sweeteners, crude corn oil, monosodium glutamate (MSG) and feed ingredients

Biofuel: Fuel ethanol, consumable alcohol, anhydrous ethanol, crude corn oil and dried distillers grains with solubles (DDGS)

COFCO Fortune Plaza

Rice processing and trading business

China's leading supplier of packaged rice and largest rice exporter and importer

Rice

Fortune (福临门), Jinying (金盈), Five Lakes (五湖), Golden Terra (金地), Xin (薪) and Donghai Mingzhu (东海明珠)

Brewing materials business

Market position A leading brewing material supplier in China

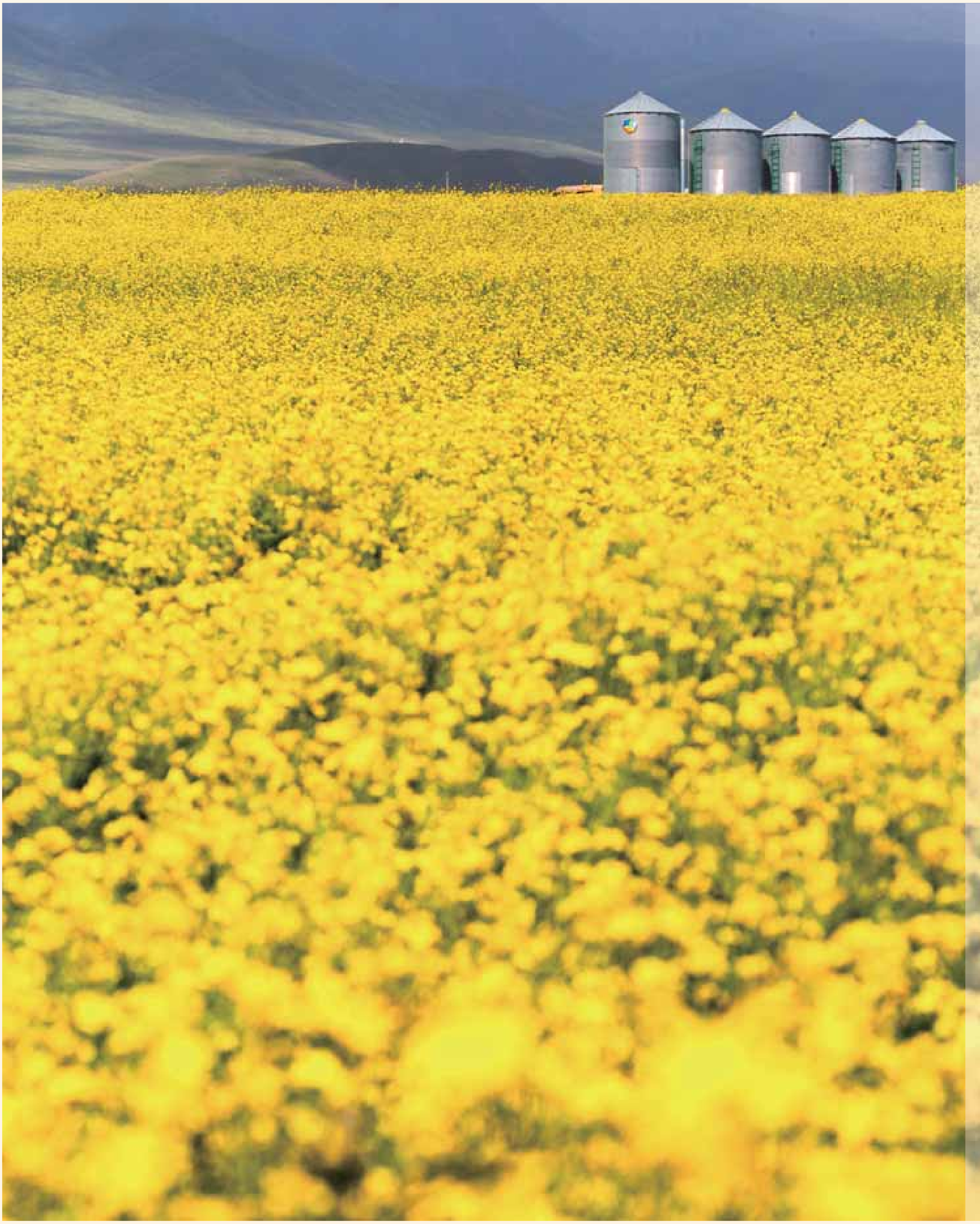
Major products Malt

Wheat processing business

Market position One of the largest wheat processors in China

Major products Flour, noodles and bread

Major brands Fortune (福临门) and Xiangxue (香雪)



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CORPORATE INFORMATION

Directors

Chairman of the Board and Executive Director

YU Xubo

Executive Directors

YUE Guojun *(Managing Director)*
SHI Bo

Non-executive Directors

NING Gaoning
MA Wangjun
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

YUE Guojun *(Chairman)*
YU Xubo
SHI Bo

Qualified Accountant

CHAN Ka Lai, Vanessa

Company Secretary

LOOK Pui Fan

Auditors

Ernst & Young
Certified Public Accountants

Legal Advisor

Herbert Smith Freehills LLP

Registered Office

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

Share Registrar and Transfer Office

Tricor Progressive Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

Principal Bankers

Agricultural Bank of China Limited
Agricultural Development Bank of China
Australia and New Zealand Banking Group Limited
Bank of China Limited
Bank of China (Hong Kong) Limited
China Construction Bank (Asia) Corporation Limited
Deutsche Bank
Industrial and Commercial Bank of China Limited
National Australia Bank
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

FIVE-YEAR FINANCIAL SUMMARY

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

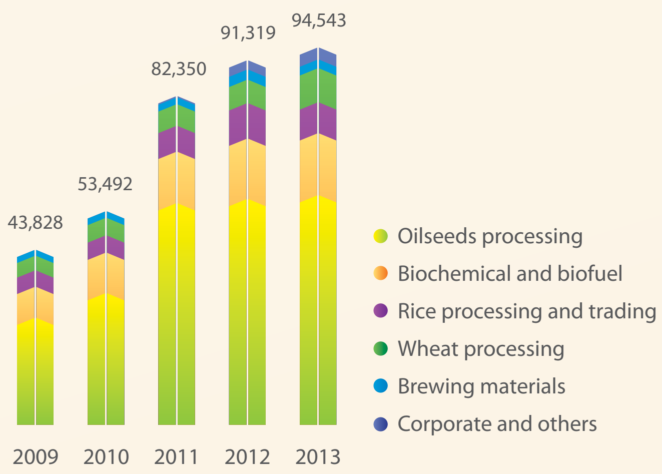
RESULTS	2013 HK$'000	2012 HK$'000	2011 HK$'000	2010 HK$'000	2009 HK$'000
REVENUE	**94,543,022**	91,319,186	82,349,859	53,491,700	43,827,891
PROFIT FROM CONTINUING OPERATING ACTIVITIES	**2,590,621**	2,470,073	4,586,832	1,499,192	2,219,513
Finance costs	**(594,429)**	(883,683)	(888,658)	(376,878)	(239,121)
Share of profits of associates	**184,102**	23,725	169,848	352,955	355,168
PROFIT BEFORE TAX	**2,180,294**	1,610,115	3,868,022	1,475,269	2,335,560
Income tax expense	**(408,447)**	(198,420)	(563,231)	(191,918)	(291,980)
PROFIT FOR THE YEAR	**1,771,847**	1,411,695	3,304,791	1,283,351	2,043,580
Attributable to:					
Owners of the Company	**1,521,319**	1,227,523	2,367,954	1,701,644	1,952,042
Non-controlling interests	**250,528**	184,172	936,837	(418,293)	91,538
	1,771,847	1,411,695	3,304,791	1,283,351	2,043,580
ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS					
TOTAL ASSETS	**82,769,284**	74,604,434	70,036,207	56,719,663	36,091,614
TOTAL LIABILITIES	**(50,036,828)**	(44,120,425)	(44,926,182)	(35,543,972)	(17,696,077)
NON-CONTROLLING INTERESTS	**(3,749,753)**	(3,429,030)	(3,146,272)	(2,089,268)	(2,565,491)
	28,982,703	27,054,979	21,963,753	19,086,423	15,830,046

FINANCIAL HIGHLIGHTS

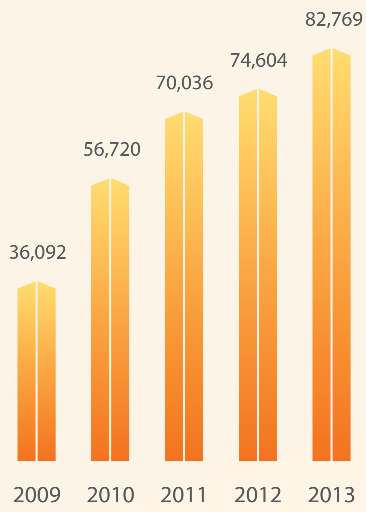
For the year ended 31 December 2013

	Unit	2013	2012	Increase/ (Decrease)
Revenue:	HK$ million	**94,543.0**	91,319.2	4%
– Oilseeds processing	HK$ million	**57,535.7**	56,585.8	2%
– Biochemical and biofuel	HK$ million	**15,514.1**	15,117.0	3%
– Rice processing and trading	HK$ million	**7,744.9**	8,875.6	(13%)
– Wheat processing	HK$ million	**8,560.2**	5,876.0	46%
– Brewing materials	HK$ million	**2,170.0**	2,551.5	(15%)
– Corporate and others	HK$ million	**3,018.1**	2,313.3	30%
Profit before tax	HK$ million	**2,180.3**	1,610.1	35%
Operating profit (segment results)	HK$ million	**2,155.9**	2,225.8	(3%)
Operating profit before depreciation and amortisation	HK$ million	**3,584.6**	3,485.9	3%
Operating margin	%	**2.3**	2.4	N/A
Profit attributable to owners of the Company	HK$ million	**1,521.3**	1,227.5	24%
Earnings per share:				
– Basic	HK cents	**28.98**	28.48	2%
– Diluted	HK cents	**28.92**	28.46	2%
Dividends per share for the year:				
– Interim	HK cents	**3.1**	3.1	0%
– Proposed final	HK cents	**4.1**	3.5	17%
Total assets	HK$ million	**82,769.3**	74,604.4	11%
Equity attributable to owners of the Company	HK$ million	**28,982.7**	27,055.0	7%
Closing price per share at year-end	HK$	**3.87**	4.34	(11%)
Market capitalisation at year-end	HK$ million	**20,317.0**	22,784.5	(11%)
Net asset value per share at year-end	HK$	**5.52**	5.15	7%
Net gearing ratio at year-end	%	**67.1**	84.2	N/A

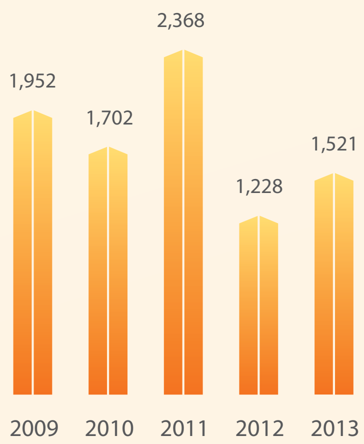
Revenue (HK$ million)



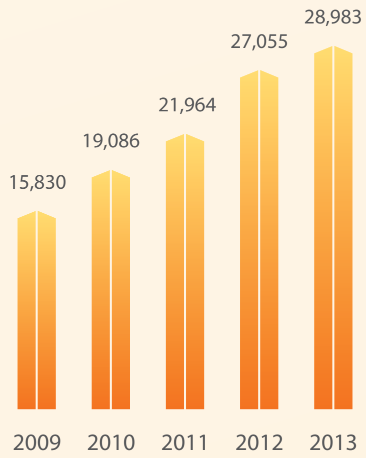
Total Assets (HK$ million)



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



Equity Attributable to Owners of the Company (HK$ million)



CAPACITY DISTRIBUTION

Oilseeds processing

Biochemical

Biofuel

Rice processing and trading

Wheat processing

Brewing materials

2013 Capacity

Unit: metric ton '000

Oilseeds Processing

Crushing Capacity	**10,920**
Jiangsu	3,600
Shandong	2,340
Tianjin	1,200
Guangxi	1,740
Hubei	840
Guangdong	600
Jiangxi	300
Anhui	300
Refining Capacity	**4,170**
Jiangsu	1,050
Shandong	660
Tianjin	720
Guangdong	420
Guangxi	420
Hubei	360
Jiangxi	180
Anhui	180
Chongqing	180

Biochemical and Biofuel

Biochemical (Corn Processing Capacity)	**2,450**
Jilin	1,850
Heilongjiang	600
Sweetener Production Capacity	**1,040**
Jilin	490
Shanghai	250
Hubei	100
Hebei	100
Sichuan	100
Monosodium Glutamate (MSG) Production Capacity	**100**
Heilongjiang	100
Biofuel	**1,800**
Heilongjiang (Corn Processing Capacity)	1,200
Guangxi (Tapioca Processing Capacity)	600
Fuel Ethanol, Consumable Ethanol and Anhydrous Ethanol Production Capacity	**600**
Heilongjiang	400
Guangxi	200

2013 Capacity

Unit: metric ton '000

Rice Processing and Trading

Rice Production Capacity	**2,265**
Heilongjiang	460
Liaoning	425
Jiangsu	255
Jilin	220
Jiangxi	220
Anhui	195
Hubei	190
Hunan	165
Ningxia	75
Sichuan	60

Wheat Processing

Wheat Processing Capacity	**3,451**
Henan	1,320
Zhejiang	600
Hebei	340
Jiangsu	321
Liaoning	280
Sichuan	240
Fujian	180
Shandong	170
Noodle Production Capacity	**177.3**
Henan	66
Liaoning	48
Hebei	19.8
Jiangsu	18
Sichuan	18
Shandong	7.5
Bakery Production Capacity	**1.98**
Beijing	1.98

Brewing Materials

Malt Production Capacity	**740**
Liaoning	360
Jiangsu	300
Inner Mongolia	80

CHAIRMAN'S STATEMENT

Dear Shareholders,

In 2013, the global economy moved in a more stable direction, albeit at a slow pace of growth, with substantially diminishing risk factors. Developed economies, including the United States and Europe, started to show tentative signs of recovery, while in China, the economy maintained a relatively fast pace of growth while facing challenges caused by structural adjustments. China Agri-Industries Holdings Limited's ("China Agri" or the "Company") management team, in a continual effort to return value to shareholders, actively responded to these challenges based on our extensive professional capabilities, and as a result, we maintained our performance at industry leading levels.

Since our listing on the Hong Kong Stock Exchange, we have invested considerable resources in the expansion of our capacity and gradually broadened the geographic footprint of our production facilities. Our facilities are strategically located near both crop growing areas and important sales regions. In addition, our facilities are geared to allow us to source raw materials either domestically or overseas, which gives us strong influence in the market and has helped us achieve our leading position in the industry. Moreover, by optimising our operations such as this, we have been able to boost organic growth and reinforce our overall operating performance.

Over the past few years, the agricultural processing industry in China has faced challenges related to overcapacity and an imbalance where product prices have been lower than input prices. These two factors together resulted in margin contraction. Given this situation, we continued with our strategy of focusing on operational optimisation and organic growth, and carried out measures to streamline business and management processes, strengthen professional skills, restructure departments within the organisation, and enhance operating efficiency. Meanwhile, we also monitored market trends, strongly promoted R&D, enriched our product range by developing more high-end nutritious and healthy products, continually invested in promoting our brand, and expanded market share for high-end products.

At the same time, with an ultimate goal of bringing stable and long-term value to shareholders, customers, employees and business partners, we remained intently focused on potential risks and conducted judicious hedging with the view to achieve soundness and stability for our overall operation. In order to better manage our business operations and ensure all aspects of our businesses are conducted in accordance with applicable laws and regulations, we also further raised our standards of corporate governance based on the latest market practices. Moreover, we strived to maintain a management structure with high transparency and accountability in order to ensure that we operate our business ethically and responsibly within the greater society.

Looking ahead, we expect that more opportunities will open up as a result of rising industry standards and reforms. As China's GDP and per capita consumption are anticipated to grow steadily, rising interest from consumers for safe, healthy and nutritious products is expected to push further development of the industry, gradually eliminate inferior players from competition, and consolidate market share among big brands. Additionally, industries related to agriculture and food were made a central area of focus by China's leadership. Under the comprehensive and deepened reform, the Chinese government will strengthen its cooperation with enterprises to better ensure both food safety and food security (i.e.: sufficient supply of staple foods) by market-oriented means. The Company will capitalise on its professional team and business acumen that has been accumulated over many years and capture opportunities brought by consolidation and industry development to solidify its leading position in the market. Meanwhile, we intend to keep pace with national policy changes, actively participate in grain purchasing and grain storage, and enhance our overall return on assets through improved utilisation of logistics and storage assets.

As a part of our pursuit of sustainable and healthy development, China Agri will continue to focus on optimising our operations and growing our business organically. To do this, we will not only work to improve earnings by benchmarking our performance with other players in the market and implementing appropriate solutions, but also by catering to market demand as consumers look to upgrade their purchases to higher quality premium products. Continued R&D will ensure that we effectively add value to our brand, maximise profitability, and lay a solid foundation for future growth. We will also pay close attention to the international macroeconomic environment and industry trends in order to adjust our strategies accordingly and seek potential opportunities for expansion both upstream and downstream. We look to take advantage of synergies in our business and take steps to bolster our core strengths in an effort to develop our business into a world-class agri-industries enterprise and provides consumers with high quality products that are safe, healthy and nutritious.

Finally, I would like to take this opportunity to extend my heartfelt gratitude to our shareholders, customers and business partners for their continued support. I would also like to thank the members of our Board, the management and our hard working staff for their diligence.

YU Xubo
Chairman
Hong Kong, 26 March 2014

MANAGING DIRECTOR'S REPORT

In October 2013, it was my great honour to be appointed as the Managing Director of China Agri, succeeding Mr. LV Jun. I hereby express my gratitude to Mr. LV for his valuable contributions to China Agri and wish him all the best in his new role.

In 2013, China's agricultural processing industries continued to face strong headwinds as a whole. However, seasonal demand outpaced supply and helped the oilseeds sector improve crushing margins and rebound from losses. During the year, we maintained our total sales volume and revenue at high levels. Drawing on the professional expertise within all of our businesses, we managed to increase our product competitiveness with continued advancements in research and development and delivered customised services while upgrading our product mix. At the same time, we implemented benchmarking to closely analyse our organisational performance internally and against our peers, and to strengthen the professionalism of our management and operational efficiencies throughout the various areas of our operations. These efforts contributed to lower costs, enhanced efficiencies and a sharpened competitive edge. Profit attributable to owners of the Company for the year rose by 23.9% year-on-year to HK$1,521.3 million. The Board has recommended a final dividend of 4.1 HK cents per share for 2013. Together with the interim dividend of 3.1 HK cents per share, the total dividend for the year was 7.2 HK cents per share.

We continued to optimise our organisational structure, strengthen professional management and improve operational efficiencies to further press ahead with our plans to fully integrate our operations. We also enhanced our ability to analyse market trends, foster risk awareness and use judicious hedging strategies to seek protection for our business against risks from fluctuating commodity prices by establishing an internal information and risk management system. Furthermore, we forged and maintained stronger relationships with our key customers by meeting their specific needs with our one-stop integrated services and our research and development capabilities for new products, all of which helped to increase our pricing premium and brand value.

Regarding our oilseeds processing business, we closely monitored industry conditions and trends, took timely initiatives to adjust our operational strategies, and adopted multiple innovative business models to maintain our performance at industry leading levels. For our rice processing and trading business, we focused on improving the quality of our operations and raised the sales volume of mid-to-high-end products. We also improved the efficiency of our rice processing plants as our business operations further developed, and as a result, losses were substantially narrowed on a year-on-year basis. In our biochemical and biofuel business, we followed through on our strategy to extend our downstream arm, which contributed to the substantial growth in the sales volume of sweeteners and an overall rise in the segment's gross profit. For our brewing materials business, profitability remained strong on a per-ton basis, even though the sales volume declined from its historic high.

For our wheat processing business, the sales volume of flour and noodles surged in 2013 driven by the rapid ramp-up of new production capacity. However, our gross margin was temporarily impacted by our new plants, which have yet to reach full efficiency. We believe that the overall profitability of our wheat processing business will recover once our new production plants mature over time.

Looking forward, the overcapacity issues surrounding China's agricultural processing sector are expected to ease over time. Policies related to domestic agricultural industries should become more market oriented. These factors, in turn, should help lessen the pressure of passing on costs to customers. Meanwhile, continued urbanisation in China should stimulate demand for higher quality, safe and nutritious food products, and provide business opportunities for sector leaders that have the ability to assure product quality.

In 2014, the management of our business will focus on enhancing our capabilities and solidifying the delivery of industry leading performance. Increases in utilisation at our new production facilities are expected to help us meet the growth potential of our businesses and synergies will be created among our internal resources to improve the operating efficiencies of our assets. We believe this will help us take further advantage of the scale of our business. Meanwhile, our research and development capabilities for new products continue to improve. We are pushing through new technology through projects related to the development of enhanced medium and long chain triacylglycerol ("MLCT") oil products, specialty oil products, whole grain products, and other such products. These efforts are expected to strengthen our product competitiveness and reinforce the premium our brands command. We will also keep moving to achieve our strategic vision of being "a supplier of nutritious and healthy food, food ingredients, feed and feed ingredients, as well as a one-stop solution provider" by understanding and integrating the needs of key customers and by providing solution-based services.

YUE Guojun
Managing Director
Hong Kong, 26 March 2014

CHINA AGRI-INDUSTRIES HOLDINGS LIMITED

Management Discussion and Analysis

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Oilseeds Processing Business

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

In 2013, soybean prices progressively trended down as a number of major soybean planting areas in the South America reported bumper harvests, helping to ease the tight supply. Despite the interim price hike driven by tight inventories in North America, logistical challenges in South America, and speculation of adverse weather conditions, soybean prices dropped below the prices seen at the beginning of the year due to a rise of soybean shipments from South America to China and new harvests of soybean crops in North America. On the product side, soybean meal prices remained strong due to steady demand for feed as a result of high hog inventories. Vegetable oil prices declined and stayed low due to continual oversupply as a result of sluggish demand and excess stock.

The oilseeds processing business reported revenue of HK$57,535.7 million, which was a year-on-year increase of 1.7%. The Company continued to step up its efforts to develop the market for mid-size packaged oil products by focusing on key regions and expanding sales channels, which contributed to a steady year-on-year rise in sales volume of 23.9% to 365,000 metric tons. Meanwhile, the Company seized market opportunities to develop differentiated products for palm oil and rapeseed oil in order to boost the overall sales volume of oil products. The Company sold a total of 3,588,000 metric tons of vegetable oil, a 21.3% year-on-year increase. For the sale of oilseed meal, a new sales approach (i.e. basis trading) was adopted as a complement to the existing spot trading. This, combined with the Company's professional expertise, helped to further enhance its sales capabilities by delivering comprehensive customer service and mitigate risks from commodity fluctuations. In the first half of the year, from a risk prevention perspective, the Company moderately lowered its capacity utilisation rates to protect the business from falling input prices. Despite a strong recovery in utilisation rates in the second half, the sales volume of oilseed meal for the year still fell by 14.2% year-on-year to 5,400,000 metric tons.

In 2013, China's oilseeds processing industry continued to be challenged by overcapacity issues, however, seasonal demand for oilseed meal outpaced supply, which helped the oilseeds sector improve crushing margins and rebound from losses. For oil products, margin pressure persisted with weak product pricing. The Company continued to use its professional expertise and take practical measures to ensure stable business operations. The business' overall performance steadily improved and remained at an industry leading level.

MANAGEMENT DISCUSSION AND ANALYSIS

Production line of Fortune branded packaged oil products

As of 31 December 2013, the Company operated a total of fourteen oilseed processing plants in Jiangsu, Shandong, Tianjin, Guangxi, Hubei, Guangdong, Jiangxi, Anhui and Chongqing. 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. Based on market demand, the Company will strengthen its geographic presence and distribution in coastal regions in southeastern and northeastern China, as well as enhance its processing capabilities of specialty oils to raise the quality of its development.

In 2014, as China continues to urbanise, consumer demand for protein will gradually grow and the poultry and livestock farming industries are expected to further develop. This is expected to drive growth for the feed market, including oilseed meal. While China further strengthens the control and monitoring of food safety, the industry will become more regulated and China Agri's high quality products are expected to be able to capture premium pricing. The Company will continue to enhance product competitiveness by improving research and development, and push forward the advancement and promotion of products such as medium and long chain triacylglycerol (MLCT) products and specialty oil products. However, uncertainties about feedstock and product prices at home and abroad still exist while market competition is expected to remain fierce. The Company will closely monitor its end markets and reinforce the effective management of procurement, processing, sales and risks to ensure that the oilseeds processing business delivers stable operating results and continues to solidify its leading position in the industry.

MANAGEMENT DISCUSSION AND ANALYSIS

Biochemical and Biofuel Business

In 2013, China Agri's biochemical and biofuel revenues totaled HK$15,514.1 million, which increased 2.6% year-on-year. With the bumper harvest of new domestic crops of corn, which provided the market with abundant supply, corn prices fell. The cost pressure was therefore largely alleviated, although the demand for processed corn products remained sluggish. The segment's gross margin increased to 13.5% from 12.3% in 2012.

Biochemical Business

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

During the year, prices for downstream processed corn products remained low and the demand for corn starch did not see significant signs of recovery. In addition, the launch of new production capacity in the sweetener processing industry led to vigorous competition for market share. Falling international sugar cane prices also impacted sweetener prices. The Company tackled these challenges by further strengthening the management of its business processes and streamlining its production processes to reduce wastage and costs where possible. All of these efforts helped the Company achieve results that were above the industry average.

In 2013, the Company's biochemical business reported revenue of HK$8,965.0 million, which was an increase of 2.7% from last year. China Agri followed through on its strategy of extending its operations throughout the entire corn processing value chain. The Company actively managed its existing key strategic customers with a solution-based sales strategy to provide value-added services. The Company also developed relationships with other domestic and international food and beverage groups to help boost sales, broaden customer reach and increase the utilisation of new sweetener plants. As a part of this, the Company was able to significantly increase its use of internally-generated corn starch for the production of downstream products. As a result, while the sales volume of corn starch fell 9.3% year-on-year to 1,455,000 metric tons, the sales volume of sweeteners surged 64.9% year-on-year to 578,000 metric tons.

As at 31 December 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 1,040,000 metric tons. This scale made the Company the industry leader in China. The Company's Heilongjiang facility also had 100,000 metric tons of production capacity for MSG.

In 2014, the Company will continue to leverage its sophisticated management team to ease the margin pressure caused by soft product prices. Meanwhile, the Company will shift its product mix by taking advantage of its leading technology and enhancing the utilisation of high value-added products to expand the sales volume of sweeteners. The Company will also increase its investment in the research and development of specialised corn starch products in an effort to create a one-stop solution for product and ingredient alternatives using specialised starch. It is expected that this will help grow the overall sales of downstream products.

MANAGEMENT DISCUSSION AND ANALYSIS

Corn distribution and storage facilities

Biofuel Business

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

During 2013, China adjusted the pricing mechanism for fuel ethanol, which strengthened the correlation between domestic gasoline prices, fuel ethanol prices and international oil prices. The Company continued to bolster its sales efforts for fuel ethanol by proactively managing key customer relationships to expand market share. As a result, the sales volume of fuel ethanol grew steadily by 13.3% year-on-year to 417,000 metric tons, which drove a year-on-year growth in biofuel revenue by 2.6% to HK$6,549.1 million. In addition, the Company strictly controlled costs in every area of the production process and adopted technological innovations to achieve energy savings. These efforts helped to sustain a stable profit.

As at 31 December 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.

Recently, gasoline consumption is increasing with the growth of car ownership in China. There is still room for expansion for the fuel ethanol market. At the same time, the Chinese government will strengthen the promotion of clean and green energy in an effort to improve air quality in mid-to large-size cities, which should create a new potential growth driver for fuel ethanol. The Company will continue to strictly control costs, maximise efficiencies, save energy and reduce waste in order to sustain profitability of its biofuel business.

MANAGEMENT DISCUSSION AND ANALYSIS

Rice Processing and Trading Business

China Agri is primarily engaged in the processing and trading of rice. The Company is a leading packaged rice supplier and the largest rice exporter and importer in China. Its 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.

In 2013, paddy production in China was basically in line with the previous year, while supply and demand remained balanced. With the support of government policy, which effectively imposed a floor on pricing, paddy prices experienced only small increases. Although the industry is gradually integrating, competition remained intense given that there were still a large number of market participants. This has limited room for premium pricing and reduced profit margins for end products. In terms of market consumption, the domestic packaged rice market continued to develop and be driven by the major industry participants. Meanwhile, consumer preferences continued to further shift towards packaged rice from unpackaged rice, and within packaged rice, consumption kept migrating towards higher quality products.

With a strong focus on raising the quality of the business, the Company increased its sales mix of mid-to-high-end products to optimise the product portfolio. As a result, the Company’s domestic sales declined 29.3% year-on-year to 1,081,000 metric tons. The Company’s rice export business faced challenges due to highly competitive international rice prices. In response, the Company leveraged its facilities’ presence in key farming areas to introduce new products to the marketplace that fulfill customer needs. Export sales reached 289,000 metric tons during the year. Total revenue from the rice processing and trading business dropped by 12.7% year-on-year to HK$7,744.9 million. The overall gross margin increased to 8.3% from 6.2% in 2012. The rise was largely a result of the improved sales mix and greater operational efficiencies at the Company’s production facilities.

With an unwavering eye focused on satisfying consumer tastes, the Company worked to adjust its sales strategy and upgrade its portfolio of packaged rice products by increasing the proportion of high-end products such as the “Fortune”. The brand helped to shift the product mix and improve the performance of the packaged rice business. According to the latest research by Nielsen on the small packaged rice market in China, based on rice sold in hypermarkets in 21 cities, the Company had approximately 16.2% market share in terms of sales volume, retaining a leading position. Meanwhile, the Company achieved its goal of expanding its grain processing capacity and geographic coverage in China, which is expected to significantly help the Company’s ability to secure raw materials. This also served to further strengthen the quality of raw materials and control procurement costs. Moreover, by leveraging its plants in various regions, the Company continued to develop its customer base, including major catering, food processing, wine and brewing customers. All of these efforts helped to further consolidate the Company’s industry leading position and increase its market share in the rice industry.

MANAGEMENT DISCUSSION AND ANALYSIS

Paddy and packaged rice products

As of 31 December 2013, the Company operated sixteen rice processing plants in Heilongjiang, Liaoning, Jiangsu, Jilin, Jiangxi, Anhui, Ningxia, Sichuan, Hubei and Hunan, with a combined annual production capacity of 2,265,000 metric tons. Among these facilities, two plants with a total annual production capacity of 330,000 metric tons commenced production in the second half of 2013, which helped to further enhance the geographic footprint of the Company's indica rice production.

China's rice consumption has still been migrating from the purchasing of bulk rice to packaged rice products, and the demand for packaged rice is steadily shifting to mid-to-high-end products featuring a wide range of choices. The Company will continue to concentrate on its "Fortune" brand and place its resources on the development of sales channels in order to increase market share in the mid-to-high-end markets and build premium brands. The Company will utilise its current network of factories to secure high quality raw materials and adopt new approaches to enrich its product varieties and expand business models to further grow the business. It will continue to solidify its market position and enhance its business performance.

MANAGEMENT DISCUSSION AND ANALYSIS

Wheat Processing Business

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

During the year under review, the price of domestic wheat maintained an upward trend. Following the seasonal harvest, various factors such as production volumes, and quality and price protection policies caused wheat prices to trend up, occasionally quickly. In terms of end markets, flour demand has demonstrated sustainable and steady growth in recent years. However, major international grain processors have been accelerating their expansion of capacity, resulting in a more competitive and consolidated flour industry. Participants in the downstream noodle industry have also expanded in scale alongside the industry’s rapid development.

In 2013, the sales volume of China Agri’s wheat processing business increased substantially, driven by the Company’s new production capacity. In particular, the sales volume of flour increased 36.7% year-on-year to 1,771,000 metric tons, and the sales volume of noodle and bread also increased 30.3% and 16.9% year-on-year, respectively. Total revenue for the wheat processing business was HK$8,560.2 million, a year-on-year increase of 45.7%. However, efficiencies at the Company’s new production plants have not yet been fully realised, so there remains opportunity for further development. In the meantime, lower utilisation rates along with intensified competition due to an acceleration in industry consolidation have affected the Company’s ability to pass on rising costs to end customers. As a result, the business segment’s gross margin dropped to 6.4%.

In response to the volatile grain market, the Company focused on closely monitoring the market and adopted multiple and flexible procurement strategies to secure high-quality grain supply, and obtain cost advantages while maintaining stable operations at its existing production facilities. Meanwhile, the Company also leveraged its integrated operations, professional management and distribution networks to reinforce its market expansion and put newly added production capacity into use. All of these efforts helped to increase the sales volume in each area the Company operates. Given the opportunities presented by the rapid growth of the noodle industry, the Company proactively penetrated into high value-added downstream businesses, expanded the scale of its noodle business and increased its market share. Driven by the demand from more sophisticated mid-to-high-end consumers, China Agri focused on developing modern sales techniques and various branding initiatives to cater to their preferences and enhance the competitiveness and positioning of the Company’s products.

MANAGEMENT DISCUSSION AND ANALYSIS

Production line of noodle and Xiangxue branded flour and noodle products

As of 31 December 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 approximately 2,000 metric tons of bread products.

In 2014, the focus of the wheat processing business remains to improve profitability at new factories. With the newly added production facilities gradually achieving operational efficiency, cost control and product mix will be improved. The Company will utilise its strengths in processing scale and geographic distribution, enhance its services for key customers and rapidly increase the utilisation of new production facilities to improve operational performance. At the same time, the Company will continue to leverage its ability to share resources between its flour and downstream businesses to improve its business model, invest more in the development of noodle and bread products, continue to implement new product innovation, strengthen its sales networks, and promote end products in order to further solidify the Company's leading position in the market.

MANAGEMENT DISCUSSION AND ANALYSIS

Brewing Materials Business

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

In 2013, given an abundance of raw material inventory that was rolled forward from last year, breweries generally adopted a cautious strategy for procurement. Moreover, the domestic brewing industry entered a stage of stable development where the growth rate of malt consumption decelerated.

During the year, the Company's brewing materials business reported sales volume of 495,000 metric tons, which was 18.9% lower than the previous year's historic high. Revenue totaled HK$2,170.1 million. The Company fully leveraged its strong supply chain to enhance operational efficiencies in each process. Production costs were effectively reduced by implementing measures related to technological improvements, energy conservation, and waste reduction. The gross margin for the brewing materials business remained at an industry leading level.

Confronting the situation of declining raw material prices, the Company made good use of its experience and advantages in international trade, placed greater emphasis on the analysis of market trends to better capitalise on procurement opportunities, and obtained raw materials at a competitive cost. Meanwhile, the Company focused on broadening and maintaining its major brewing customer base. It also pinpointed product differentiation as the key to competition and launched a variety of high-quality malt products to satisfy the diversified requirements of customers.

As of 31 December 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. These plants are located at coastal ports and near barley farming areas in China. This geographic footprint facilitates the use of both imported and domestic raw materials, and helps to reduce transportation costs, and cater to the characterised demand for malt products.

Looking forward, beer consumption will continue to migrate towards mid-and-high-end products, and as such, the demand for high quality malt and the further consolidation of the brewing industry will provide new opportunities for strong suppliers of brewing materials. Actively capitalising on its technological advantages, the Company will launch differentiated products in order to enlarge the scale of sales, as well as market share.

Barley and Beer

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Overview of 2013 Financial Results

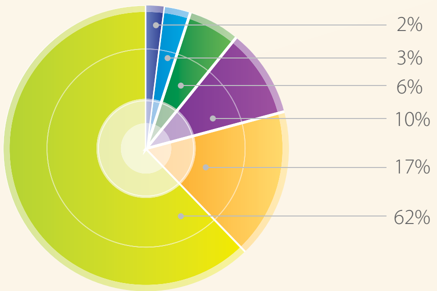
	2013 HK$ million	2012 HK$ million	Change
Revenue	**94,543.0**	91,319.2	4%
Cost of sales	**(88,896.0)**	(85,454.7)	4%
Gross profit	**5,647.0**	5,864.5	(4%)
Other income and gains	**2,094.3**	1,246.7	68%
Selling and distribution expenses	**(3,170.0)**	(2,881.0)	10%
Administrative expenses	**(1,960.4)**	(1,749.9)	12%
Other expenses	**(20.3)**	(10.2)	99%
Finance costs	**(594.4)**	(883.7)	(33%)
Share of profits of associates	**184.1**	23.7	677%
Profit before tax	**2,180.3**	1,610.1	35%
Income tax expense	**(408.5)**	(198.4)	106%
Profit for the year	**1,771.8**	1,411.7	26%
Profit attributable to owners of the Company	**1,521.3**	1,227.5	24%

MANAGEMENT DISCUSSION AND ANALYSIS

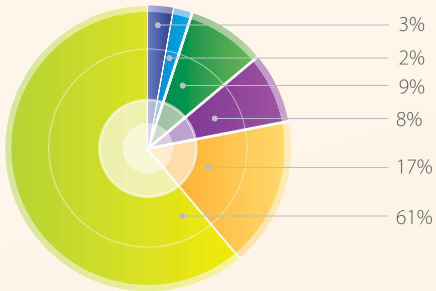
Revenue

The total revenue of the Group for the year ended 31 December 2013 was HK$94,543.0 million, up 4% from HK$91,319.2 million in 2012. The sales volume of wheat products increased considerably with production ramped up on track at new plants and contributed to the increase in the total revenue. Among the Group's five business segments, the oilseeds processing business is the largest revenue contributor, accounting for 60.9% of the total revenue for the year (2012: 62.0%).

2012 Revenue



2013 Revenue



Oilseeds processing · *Rice processing and trading* · *Brewing materials*
Biochemical and Biofuel · *Wheat processing* · *Corporate and others*

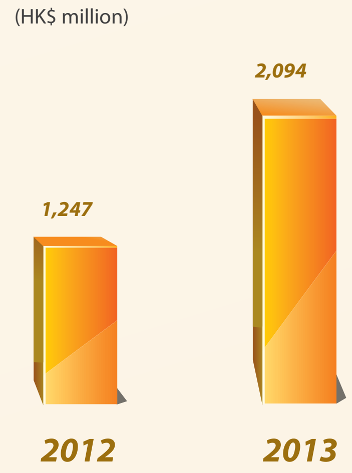
Gross Profit and Gross Profit Margin

The gross profit of the Group in 2013 dropped slightly by 4% to HK$5,647.0 million from 2012. During the year, the crushing margin of the oilseeds processing industry improved from 2012 and rebounded from losses. However, the gross profit margin of the oilseeds segment still remained at a comparatively low level. Both the gross profits and gross profit margins of the biochemical and biofuel business as well as the rice processing and trading business increased during the year. For the wheat processing business, the gross profit rose as a result of new production capacities and an accelerated market expansion but the gross profit margin was temporarily affected by the ramp-up. For brewing materials business, profitability remained strong on a per-ton basis, even though the sales volume declined from its historic high.

MANAGEMENT DISCUSSION AND ANALYSIS

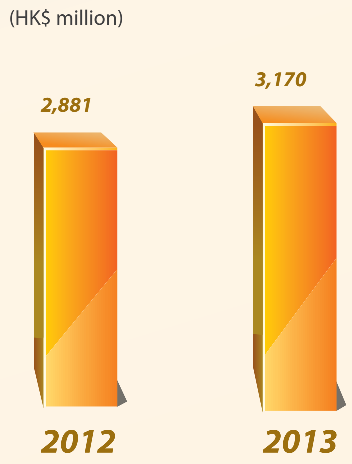
Other Income and Gains

During the year, the Company generated a considerable gain in foreign exchange as a result of the appreciation of Renminbi and through resourcefully coordinating and managing funding for its business needs. These efforts drove the other income and gains to surge 68% to HK$2,094.3 million from 2012 and effectively contributed to the operating results.



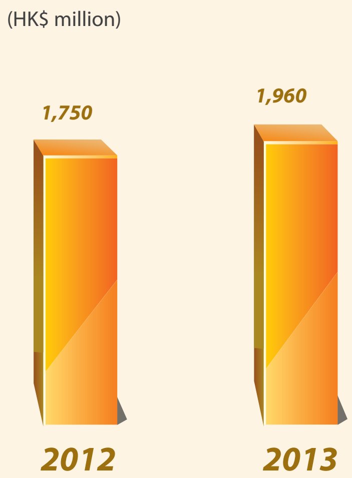
Selling and Distribution Expenses

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. For the year ended 31 December 2013, selling and distribution expenses were HK$3,170.0 million (2012: HK$2,881.0 million). With the increase in the Company's product variety, we expanded our sales and distribution models by leveraging our logistics and transportation system. As a result, the logistics costs increased during the year.



Administrative Expenses

For the year ended 31 December 2013, administrative expenses rose 12% year-on-year to HK$1,960.4 million. Administrative expenses mainly consist of employee compensation and daily operation costs. The rise in administrative expenses was mainly due to the increase in employee salaries and the ramp-up of new production plants during the year.



MANAGEMENT DISCUSSION AND ANALYSIS

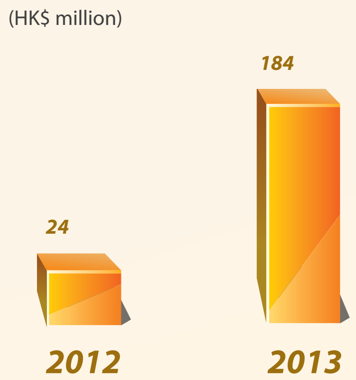
Finance Costs

During the year, finance costs of the Group decreased significantly by 33% to HK$594.4 million as a result of the overall decline in average bank borrowings and average interest rates when compared with 2012. An analysis of the finance costs by category is as follows:

	2013 HK$ million	2012 HK$ million
Interest on:		
Bank loans wholly repayable within five years	**394.4**	703.6
Bank loans wholly repayable over five years	**32.6**	23.1
Loans from fellow subsidiaries wholly repayable within five years	**62.5**	19.7
Loan from the ultimate holding company wholly repayable within five years	**26.3**	13.2
Loan from an intermediate holding company wholly repayable within five years	**49.2**	91.7
Convertible bonds	**75.3**	104.3
Total interest expenses on financial liabilities not at fair value through profit or loss	**640.3**	955.6
Less: Interest capitalised	**(45.9)**	(71.9)
	594.4	883.7

Share of Profits of Associates

The Company's overall share of profits of associates for the year surged 677% to HK$184.1 million from HK$23.7 million a year earlier. This was benefited from the turnaround from losses to profits by the associates of the oil and fats business in 2013.



Income Tax Expense

For the year ended 31 December 2013, income tax expense of the Group rose by HK$210.1 million to HK$408.5 million (2012: HK$198.4 million) due to the increase in pre-tax profit.

MANAGEMENT DISCUSSION AND ANALYSIS

Profit Attributable to Owners of the Company

The profit attributable to owners of the Company for the year ended 31 December 2013 was HK$1,521.3 million, up 24% from HK$1,227.5 million a year earlier.

Final Dividend

The Board recommended a final dividend of 4.1 HK cents (2012: 3.5 HK cents) per share for the year ended 31 December 2013. Subject to the shareholders approving this recommendation at the forthcoming annual general meeting, the final dividend will be paid on or around 11 July 2014 to the shareholders whose name appear on the register of members of the Company on 13 June 2014. The proposed final dividend together with the interim dividend of 3.1 HK cents per share paid on 8 October 2013 amounts to a total dividend of HK$378.0 million for the year.

Significant Investments Held and Material Acquisitions and Disposals of Subsidiaries

On 20 December 2013, Excel Joy International Limited ("Excel Joy International"), a wholly-owned subsidiary of the Company, COFCO Corporation ("COFCO") and COFCO Excel Joy (Tianjin) Co., Ltd. ("COFCO Excel Joy") entered into the capital increase agreement to the effect that COFCO will become a new shareholder of COFCO Excel Joy from the date when COFCO Excel Joy is issued its revised business licence resulted from the capital increase. Immediately after the completion of the capital increase agreement, COFCO Excel Joy will be owned as to approximately 75.83% by Excel Joy International and approximately 24.17% by COFCO. The total investment by COFCO in COFCO Excel Joy is RMB384.53 million. Excel Joy International and COFCO also entered into the relevant joint venture agreement and passed the articles of association of COFCO Excel Joy on the same date. The completion of the above transaction shall take place on the date of issuance of the revised business licence of COFCO Excel Joy. Please refer to the Company's announcement dated 20 December 2013 for details.

On 20 December 2013, COFCO (BVI) No. 24 Limited ("COFCO No. 24"), a wholly-owned subsidiary of the Company, Grand Silver (Lanshan) Limited ("Grand Silver"), a non-wholly-owned subsidiary of the Company, COFCO and COFCO Yellowsea Oils & Grains Industries (Shandong) Co., Ltd. ("COFCO Yellowsea") entered into the capital increase agreement to the effect that COFCO will become a new shareholder of COFCO Yellowsea from the date when COFCO Yellowsea is issued its revised business licence resulted from the capital increase. Immediately after the completion of the capital increase agreement, COFCO Yellowsea will be owned as to approximately 53.22% by Grand Silver, approximately 43.58% by COFCO No. 24 and approximately 3.20% by COFCO. The total investment by COFCO in COFCO Yellowsea is RMB47.55 million. COFCO No. 24, Grand Silver and COFCO also entered into the relevant joint venture agreement and passed the articles of association of COFCO Yellowsea on the same date. The completion of the above transaction shall take place on the date of issuance of the revised business licence of COFCO Yellowsea. Please refer to the Company's announcement dated 20 December 2013 for details.

On 20 December 2013, Oriental Chance Limited ("Oriental Chance"), a wholly-owned subsidiary of the Company, COFCO and COFCO Oils (Qinzhou) Co., Ltd. ("COFCO Qinzhou") entered into the capital increase agreement to the effect that COFCO will become a new shareholder of COFCO Qinzhou from the date when COFCO Qinzhou is issued its revised business licence resulted from the capital increase. Immediately after the completion of the capital increase agreement, COFCO Qinzhou will be owned as to approximately 95.32% by Oriental Chance and approximately 4.68% by COFCO. The total investment by COFCO in COFCO Qinzhou is RMB67.92 million. Oriental Chance and COFCO also entered into the relevant joint venture agreement and passed the articles of association of COFCO Qinzhou on the same date. The completion of the above transaction shall take place on the date of issuance of the revised business licence of COFCO Qinzhou. Please refer to the Company's announcement dated 20 December 2013 for details.

Saved as disclosed above, the Group did not have any other significant investments held nor any material acquisitions and disposals of subsidiaries during the year.

MANAGEMENT DISCUSSION AND ANALYSIS

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 year, the Group's operations were mainly financed by its own funds and bank borrowings.

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

By closely monitoring its exposures to fluctuations in exchange rates and commodity prices, the Group enters into appropriate amount of the commodity futures contracts to timely hedge its risks associated with price fluctuations in raw material purchases or sales of the related products, as well as the 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$13,944.4 million as at 31 December 2013 (31 December 2012: HK$9,408.9 million). During the year, the Group recorded net cash inflow from operations of approximately HK$4,473.3 million (2012: HK$3,246.3 million). These liquid funds were mainly denominated in Hong Kong dollars, Renminbi and United States dollars.

MANAGEMENT DISCUSSION AND ANALYSIS

Bank Loans and Other Borrowings

The total interest-bearing bank loans and other borrowings (including the liability component of convertible bonds) amounted to HK$33,390.7 million (31 December 2012: HK$32,188.9 million) as at 31 December 2013. The borrowings were mainly used for the daily operation and business expansion of the Group. These loans are repayable within the following periods:

	31 December 2013 HK$ million	31 December 2012 HK$ million
Within one year or on demand	**30,233.4**	26,433.9
In the second year	**2,352.7**	4,081.6
In the third to fifth years, inclusive	**461.9**	1,344.3
Beyond five years	**342.7**	329.1
	33,390.7	32,188.9

The interest-bearing bank loans carried annual interest rates ranging between 0.83% 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 1.16% and 3.40% (31 December 2012: between 2.71% and 6.56%). At the end of the year, the Group has pledged assets with an aggregate carrying value of HK$371.9 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 31 December 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Ratios

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

	31 December 2013	31 December 2012
Net gearing ratio (the ratio of net debts to shareholders' equity)	**67.1%**	84.2%
Liquidity ratio (the ratio of current assets to current liabilities)	**1.10**	1.19
Quick ratio (the ratio of current assets less inventories to current liabilities)	**0.70**	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$19,446.3 million at 31 December 2013 (31 December 2012: HK$22,780.0 million).

Capital Expenditures

The total capital expenditures of the Group for the year ended 31 December 2013 are tabulated below:

	2013 HK$ million	2012 HK$ million
Business units:		
Oilseeds processing	**862.0**	1,128.1
Biochemical and biofuel	**1,025.9**	1,747.4
Rice processing and trading	**433.0**	985.4
Wheat processing	**147.6**	790.5
Brewing materials	**16.2**	11.8
Corporate and others	**334.4**	355.9
	2,819.1	5,019.1

MANAGEMENT DISCUSSION AND ANALYSIS

Capital Commitments

Please refer to note 35 to the consolidated financial statements of this annual report for the relevant details of capital commitments.

Human Resources

The Group employed 30,146 (31 December 2012: 27,829) staff as at 31 December 2013. The Group's employees are remunerated according to job nature, individual performance and market trends with built-in merit components. Total remuneration (excluding directors' and chief executive's remuneration) for the year ended 31 December 2013 amounted to approximately HK$2,110.4 million (2012: HK$1,766.6 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$205.2 million (2012: HK$168.7 million) for the year.

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.

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

CORPORATE GOVERNANCE REPORT

Introduction

The Company recognises the importance of corporate transparency and accountability. The directors of the Company (the “Directors”) are committed in achieving a high standard of corporate governance practices and procedures and striving for a transparent and accountable management framework on enhancing the interests of shareholders. The corporate principles of the Company emphasise on upholding sound ethics and integrity in all aspects of its businesses, and on ensuring that affairs are conducted in accordance with the applicable laws and regulations.

During the year ended 31 December 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 (the “Code“) contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) except for slightly deviation from the code provision D.1.4 in respect of Mr. Shi Bo’s director service contract. Under the code provision D.1.4, issuers should have formal letters of appointment for directors setting out the key terms and conditions for their appointment. Mr. Shi Bo, a new executive director, was appointed in mid-October 2013 but his service contract was signed after the end of the year upon finalisation of certain administrative authorisations.

Corporate Governance Event Calendar 2013

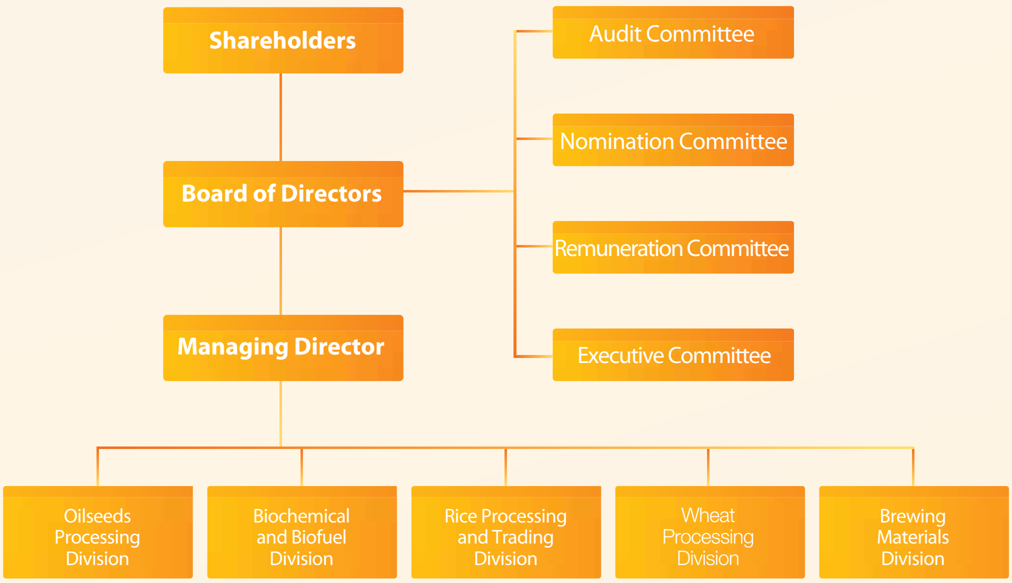
Jan	Directors’ training on the recent changes to the Listing Rules and the Companies Ordinance of Hong Kong.
Mar	The Company was awarded the “Best CSR” (Corporate Social Responsibility), “Best Investor Relations Company”, and “Best Investor Relations Professional” at 3rd Asian Excellence Recognition Awards 2013 by Corporate Governance Asia magazine.
	Mr. Lv Jun, the former Managing Director of the Company, was honoured with “Asia’s Best CEO – Investor Relations” award at 3rd Asian Excellence Recognition Awards 2013 by Corporate Governance Asia magazine.
Jun	The Company was awarded the “Asia’s Icon on Corporate Governance – China” at 9th Corporate Governance Asia Recognition Awards by Corporate Governance Asia magazine.
	Mr. Lv Jun was honoured with the “4th Asian Corporate Director” award at 9th Corporate Governance Asia Recognition Awards by Corporate Governance Asia magazine.
July	The Company ranked No. 69 on the Fortune China 500 list in 2013.
Aug	The Company has adopted the Board Diversity Policy to guide the Board in developing and achieving its diversity objectives.
Sep	The Company was selected as a constituent of Hang Seng Corporate Sustainability Index Series for the fourth consecutive year.
Oct	Directors’ training on the recent developments and trends of market regulation.
Nov	The Company was awarded the “Gold prize for the Asset’s Excellence in Management and Corporate Governance Awards 2013” by The Asset magazine.

Securities Transactions by Directors and Relevant Employees

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules as the principal standards of securities transactions for the Directors. Upon specific enquiries on all the Directors, each of them confirmed that they have complied with the required standards set out in the Model Code during the year ended 31 December 2013 in relation to their securities dealings, if any.

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

Corporate Governance Structure



The Board

The Board is responsible for the leadership and control of the Company and overseeing the Group's business, strategic decisions and performances. It is also responsible for performing corporate governance duties set out in its own Code of Practice for the Board with terms of reference no less than those required under D.3.1 of the Code. The management is delegated with the authority and responsibility by the Board for the management of the Group. In addition, the Board has established various Board committees and delegated various responsibilities to the Board committees including the audit committee (the "Audit Committee"), the remuneration committee (the "Remuneration Committee"), the nomination committee (the "Nomination Committee") (together, the "Board Committees") and the executive committee (the "Executive Committee"). All the Board Committees perform their distinct roles in accordance with their respective terms of reference. Further details of these committees are set out hereunder.

CORPORATE GOVERNANCE REPORT

Other than resolutions passed by means of resolutions in writing of all Directors, the Board held eight meetings (including four independent non-executive Directors' meetings and four regular Board meetings) during the year to, among other things, consider and approve the interim and annual results of the Group, and discuss business strategy. The information on the number of the Board meetings attended by each Director during the year is set out in the following table:

	Board	
Name of Director	Regular meetings	Meetings of independent non-executive Directors
Chairman and Executive Director		
YU Xubo	4/4	N/A
Executive Directors		
LV Jun (resigned on 14 October 2013)	3/3	N/A
YUE Guojun#	3/4	N/A
SHI Bo (appointed on 14 October 2013)	1/1	N/A
Non-executive Directors		
NING Gaoning	2/4	N/A
MA Wangjun	4/4	N/A
WANG Zhiying	3/4	N/A
Independent Non-executive Directors		
LAM Wai Hon, Ambrose	4/4	4/4
Victor YANG	4/4	4/4
Patrick Vincent VIZZONE	4/4	4/4

Mr. Yue Guojun has been re-designated as an executive Director and the Managing Director of the Company with effect from 14 October 2013.

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

CORPORATE GOVERNANCE REPORT

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

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

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

The Board, having reviewed the work implemented and executed during the year and collected opinions of the senior management during the course of review, considers that it has effectively discharged its responsibilities and maintained the interests of the shareholders and the Company.

During the year, the Board convened one general meeting. The Directors (Messrs. Yu Xubo, Lam Wai Hon, Ambrose and Patrick Vincent Vizzone) together with the management and independent auditors' representatives attended the annual general meeting of the Company held on 6 June 2013.

Chairman and Managing Director

During the year, the chairman of the Board was Mr. Yu Xubo and the chief executive officers (or managing directors, in the case of the Company) were Mr. Lv Jun (during the period from 1 January to 13 October) and Mr. Yue Guojun (from 14 October). The chairman's and the managing director's roles are clearly defined to ensure their respective independence.

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

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

CORPORATE GOVERNANCE REPORT

Board Composition

The Directors serving during the year is set out in the table on page 33 of this report. The Board consists of nine members. Its composition is balanced with three executive Directors, three non-executive Directors and three independent non-executive Directors, and with each Director brings complementary skills, knowledge, experience and perspectives to the governance of the Company.

The Board members have no financial, business, family or other material or relevant relationships with each other. The composition of the Board has satisfied the requirement under Rule 3.10A of the Listing Rules for the Board to have at least one-third of its members comprising independent non-executive Directors.

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

Appointment, Re-election and Removal

Currently, each of the Directors has a specific term of appointment for three years.

Pursuant to Article 106 of the articles of association of the Company (the "Articles of Association"), at every annual general meeting, one-third of the Directors or, if their number is not a multiple of three, then the number nearest to and at least one-third shall retire from office by rotation at least once every three years. Further, pursuant to Article 111 of the Articles of Association, the newly appointed Director shall retire at the next following annual general meeting. A retiring Director shall be eligible for re-election. The Company considers that sufficient measures have been taken to ensure that the Company's practices in appointment of Directors are no less stringent than those set out in the Code.

Messrs. Yue Guojun, Shi Bo, Wang Zhiying and Patrick Vincent Vizzone will retire at the forthcoming 2014 annual general meeting of the Company and, being eligible, each of them have offered himself for re-election pursuant to Articles 106 and 111 of the Articles of Association.

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

CORPORATE GOVERNANCE REPORT

Responsibilities of Directors and Training

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

Name of Director	Attending briefings, seminars or conferences	Reading materials relevant to the director's duties and responsibilities
Chairman and Executive Director		
YU Xubo	✓	✓
Executive Directors		
LV Jun (resigned on 14 October 2013)	✓	✓
YUE Guojun#	✓	✓
SHI Bo (appointed on 14 October 2013)	✓	✓
Non-executive Directors		
NING Gaoning	✓	✓
MA Wangjun	✓	✓
WANG Zhiying	✓	✓
Independent Non-executive Directors		
LAM Wai Hon, Ambrose	✓	✓
Victor YANG	✓	✓
Patrick Vincent VIZZONE	✓	✓

Mr. Yue Guojun has been re-designated as an executive Director and the Managing Director of the Company with effect from 14 October 2013.

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

CORPORATE GOVERNANCE REPORT

Board Committees

Nomination Committee

The Nomination Committee was established on 16 February 2007 with specific written terms of reference in accordance with the requirements of the Code. It is chaired by the chairman of the Board and comprises a majority of independent non-executive Directors. The terms of reference of the Nomination Committee are available in writing upon request to the company secretary and on the Company's website. During the year, the Nomination Committee comprised Mr. Yu Xubo (chairman of the Board and executive Director) as the chairman of the Nomination Committee, Mr. Wang Zhiying (non-executive Director), Messrs. Lam Wai Hon, Ambrose, Victor Yang and Patrick Vincent Vizzone (independent non-executive Directors).

The Nomination Committee is primarily responsible for the procedures of nominating and appointing appropriate person to be a director, either to fill a casual vacancy or as an addition to the Board.

During the year, the Nomination Committee held three meetings to review the composition of the Board and the Board Committees, to review renewal of directors' term of office, to consider the expected time commitment for non-executive Directors, to consider matters regarding the rotation of retirement of Directors at the annual general meeting, and to consider developing diversity on the Board. Details of attendance of each Nomination Committee member are as follows:

Name of Nomination Committee Member	No. of Nomination Committee meetings held during the year	No. of Nomination Committee meetings attended	Attendance rate
YU Xubo *(Chairman)*	3	3	100%
WANG Zhiying	3	3	100%
LAM Wai Hon, Ambrose	3	3	100%
Victor YANG	3	3	100%
Patrick Vincent VIZZONE	3	3	100%

In carrying out its responsibilities, the Nomination Committee is guided by its specific terms of reference and the established nomination procedures and criteria, including the policy concerning diversity adopted on 28 August 2013 and the procedures for proposing a person for election as a director adopted on 28 March 2012 (both documents are available on the Company's website). The Company aims to build and maintain diversity on the Board. In identifying and nominating suitable candidates for appointment to the Board, the Company will consider candidates on merit, having due regard to the benefits of all aspects of diversity including, but not limited to, mix of skills, experience, industry background, gender and thinking styles. In reviewing the Board composition, the Company will consider the appropriate range and balance of expertise, experience, skills and diversity required for the Board to fulfill its duties. In March 2014, the Nomination Committee made a recommendation to the Board regarding measurable objectives for achieving diversity on the Board in accordance with the board diversity policy. The Company will implement a number of programs to support our commitment to improve diversity. The focus for the first year is on ensuring that diversity is integral to the nomination/appointment process and a deeper understanding of the range of existing diversity.

CORPORATE GOVERNANCE REPORT

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

The circular of the Company dated 25 April 2014 contains detailed information on re-election of Directors including biographies of those Directors standing for re-election to enable shareholders to make informed decisions.

Remuneration Committee

The Remuneration Committee was established on 16 February 2007 with specific written terms of reference in accordance with the requirements of the Code. It comprises a majority of independent non-executive Directors and is chaired by an independent non-executive Director. The terms of reference of the Remuneration Committee are available in writing upon request to the company secretary and on the Company's website. During the year, the Remuneration Committee comprised Mr. Victor Yang (independent non-executive Director) as the chairman of the Remuneration Committee, Messrs. Ma Wangjun and Wang Zhiying (non-executive Directors), Messrs. Lam Wai Hon, Ambrose and Patrick Vincent Vizzone (independent non-executive Directors).

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

The Remuneration Committee is delegated with authority and responsibility to determine the remuneration packages of individual executive Directors and senior management. It may consult with the chairman and Managing Director of the Company regarding proposals for the remuneration of other executive Directors. The remuneration of the non-executive Directors is determined by the Remuneration Committee or recommended to the Board for review. Where necessary, the Remuneration Committee may seek professional advice of an external expert at the Company's expenses.

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

CORPORATE GOVERNANCE REPORT

During the year, the Remuneration Committee held three meetings to review the Company's performance assessment system and the remuneration packages of several executive Directors and senior management, and make recommendations to the Board on matters relating to the adjustments to exercise price and number of outstanding share options. Details of attendance of each Remuneration Committee member are as follows:

Name of Remuneration Committee Member	No. of Remuneration Committee meetings held during the year	No. of Remuneration Committee meetings attended	Attendance rate
Victor YANG *(Chairman)*	3	3	100%
MA Wangjun	3	3	100%
WANG Zhiying	3	3	100%
LAM Wai Hon, Ambrose	3	3	100%
Patrick Vincent VIZZONE	3	3	100%

For the year ended 31 December 2013, the remuneration of senior management (excluding Directors) falls into two bands, one individual in the range of HK$1-HK$1,000,000 and one individual in HK$1,000,001-HK$2,000,000. Details of the remuneration of the Directors for the year ended 31 December 2013 are set out in note 8 to the financial statements.

Audit Committee

The Audit Committee was established on 16 February 2007 with specific written terms of reference which clearly deal with its authority and duties. The terms of reference of the Audit Committee are available in writing upon request to the company secretary and on the Company's website. The Audit Committee currently comprises Mr. Lam Wai Hon, Ambrose (independent non-executive Director) as the chairman of the Audit Committee, Messrs. Ma Wangjun and Wang Zhiying (non-executive Directors), Messrs. Victor Yang and Patrick Vincent Vizzone (independent non-executive Directors). In compliance with Rule 3.21 of the Listing Rules, the chairman of the Audit Committee has possessed the appropriate professional and accounting qualifications.

CORPORATE GOVERNANCE REPORT

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

Name of Audit Committee Member	No. of Audit Committee meetings held during the year	No. of Audit Committee meetings attended	Attendance rate
LAM Wai Hon, Ambrose *(Chairman)*	3	3	100%
Victor YANG	3	3	100%
Patrick Vincent VIZZONE	3	3	100%
MA Wangjun	3	3	100%
WANG Zhiying	3	3	100%

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

Certified/Chartered Accountants in the Company

Name of Professional Institution	No. of staff
The Chinese Institute of Certified Chartered Accountants	21
Association of Certified Chartered Accountants	2*
Hong Kong Institute of Certified Public Accountants	2
American Institute of Certified Public Accountants	1**
CPA Australia	1
Certified General Accountants Association of Canada	1***

* *One of these two individuals is also a member of the Hong Kong Institute of Certified Public Accountants.*

** *This individual is also a member of the Hong Kong Institute of Certified Public Accountants.*

*** *This individual is also a member of the Chinese Institute of Certified Chartered Accountants.*

CORPORATE GOVERNANCE REPORT

Executive Committee

The Executive Committee was established on 27 February 2009 with specific written terms of reference. During the period from 1 January 2013 to 13 October 2013, the Executive Committee comprised Mr. Lv Jun as the chairman of the Executive Committee and Mr. Yu Xubo. Since the resignation, re-designation and appointment of Directors effective on 14 October 2013, the composition of the Executive Committee has been changed to Mr. Yue Guojun (Managing Director) as chairman, Mr. Yu Xubo and Mr. Shi Bo.

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

Auditors' Remuneration

During the year under review, the remunerations paid or payable to Ernst & Young in respect of its audit services and non-audit services are HK$5.0 million and HK$1.6 million, respectively. The non-audit services mainly included tax consultancy and business advisory services.

Accountability and Audit

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

The Company's operating results for the year ended 31 December 2013 were reviewed by the management during the annual management meeting. Management personnel of all business units and functional departments of the Company had attended the meeting and the Managing Director presented the Company's overall and divisional operating results during the meeting. Variations from the budget and from the previous year's results were reviewed and analysed. In this review process, the management identified the effects of the key risk factors that affected the Company's businesses during the year and consolidated them with their expectations of the business performance they accumulated during their daily management of the businesses to form a basis for comparison and verification of the details of the reported operating results for the year.

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

The Company has announced its annual results for the financial year ended 31 December 2013 on 26 March 2014. An independent Auditors' Report is included in this annual report on pages 72 and 73.

CORPORATE GOVERNANCE REPORT

Internal Control

The Board acknowledges that a properly designed internal control system is one of the key elements to monitor and safeguard the resources of the Group; to produce reliable financial reports for the 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.

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

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

Internal Audit

The Company's Audit and Supervision Department is led by the General Manager of Audit and Supervision Department and maintains a stable professional team. The General Manager of Audit and Supervision Department reports directly to the Audit Committee and the Managing Director and attends all Audit Committee and Board of Directors' meetings.

The Audit and Supervision Department's primary responsibilities include:

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

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

CORPORATE GOVERNANCE REPORT

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

Internal Control Review

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

Whistle-blowing Policy

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

Corporate Social Responsibility

The Company values stakeholders' expectations and concerns, and actively communicates with stakeholders. In the Company's 2013 Corporate Social Responsibility Report, we have prepared a summary on our works in accordance with the ten principles of the United Nations Global Compact, the Global Reporting Initiative's Sustainability Reporting Guidelines and the Environmental, Social and Governance Reporting Guide contained in Appendix 27 to the Listing Rules. Electronic copy of the 2013 Corporate Social Responsibility Report can be accessed and downloaded from the Company's website.

CORPORATE GOVERNANCE REPORT

Shareholders’ Rights

The Company is committed in engaging constructive communication with its shareholders through a variety of channels, including through its corporate communications, website, general meetings and investor relations activities. Shareholders who wish to put enquiries to the Board may send communications to: The Board of Directors c/o Company Secretary, by post to the registered office of the Company. All communications will be forwarded to the Board or the individual directors on a regular basis.

Every shareholder has a right to make their views known through voting at a general meeting. The annual general meeting (the “AGM”) will be held on 5 June 2014. The AGM provides shareholders the opportunity to communicate with the Board on a wide range of issues relating to the affairs of the Company. Shareholders who wish to attend and vote may request to be entered into the register of members by its closure for the AGM. A corporate shareholder may participate by its authorised representative. Subject to applicable laws and regulations, qualified shareholders may exercise their rights to request circulation of resolution for the AGM. Shareholders holding at least 2.5% of the total voting rights of all shareholders, or at least 50 shareholders, who have a right to vote on the resolution at the AGM, may submit a written request to the Company. The circulation request must identify the resolution, accompanied by a statement of not more than 1,000 words with respect to the matter mentioned in the proposed resolution, and must be authentication by the requisitionists and sent to the Company’s registered office in hard copy for the attention of the company secretary (which must be received by the Company at least 7 days before the relevant meeting). If the requisition is to propose nomination of a person other than a director of the Company for election as a director at the AGM, that person’s consent to be elected and biographical details as required by Rule 13.51(2) of the Listing Rules should also be provided. Upon verification that the requisition is proper and in order, the company secretary will propose the Board to include the resolution on the agenda for the AGM.

Only persons with proper authority have the right to requisition for and convene a general meeting. According to applicable laws and regulations, shareholders holding at least 5% of the total voting rights of all the shareholders having a right to vote at a general meeting of the Company may request to call a general meeting. The request must state general nature of the business to be dealt with at the meeting, and may include the proposed resolution. The requisition must be authenticated by the requisitionists and deposited at the registered office of the Company for the attention of the company secretary. Upon verification that the requisition is proper and in order, the company secretary will propose the Board to convene the relevant general meeting within 21 days from the date of the deposit of the requisition call a meeting to be held within a further period of 28 days.

Shareholders desiring to request circulation of resolution for a general meeting should send the request to the Company in due time before the meeting. If the matter to be considered requires a special notice, the proposed resolution must be given to the Company not less than 28 days before the general meeting at which it is moved. The Company will, in accordance with its obligations under the applicable laws and regulations, provide necessary information either in a supplementary circular or by way of an announcement and, if necessary, adjourn the relevant general meeting for informing all shareholders.

CORPORATE GOVERNANCE REPORT

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 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 17.8% of the total issued shares of the Company. Among those, institutional investors from North America accounted for 42.1%, while Asian based institutional investors accounted for 31.8%, European-based institutional investors accounted for 24.7% and the rest of the world made up 1.4%.

During the year under review, China Agri was awarded the "Gold prize for the Asset's Excellence in Management and Corporate Governance Awards 2013" by The Asset magazine. Moreover, the Company was also awarded the "Best CSR", "Best Investor Relations Company", and "Best Investor Relations Professional" at 3rd Asian Excellence Recognition Awards 2013 and "Asia's Icon on Corporate Governance – China" at 9th Corporate Governance Asia Recognition Awards by Corporate Governance Asia magazine. Mr. Lv Jun, former Managing Director and Executive Director of the Company, was honoured with an "Asia's Best CEO – Investor Relations" award at 3rd Asian Excellence Recognition Awards 2013 and a "4th Asian Corporate Director" award at 9th Corporate Governance Asia Recognition Awards by Corporate Governance Asia magazine. 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.

RISK MANAGEMENT

Our Philosophy

We believe that risk management is the key to the survival and sustainability of an organisation. This is especially true in an ever changing economic condition like what we are facing now. We also believe that risk management is the responsibility of management personnel at all levels of the organisation. It is an integral and inseparable part of the duty of management's daily businesses.

Our Objectives

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

Risk Management System

The Company has started to build its risk management system according to the COSO framework since its establishment. Details of the implementation of our risk management system are set out as follows:

- A system for monitoring Key Risk Indicators (KRI) has been set up, and a risk database in response to the risks against the Company has been established. Information on risks is collected and assessed on an ongoing basis. Risk alerts, tracking and management are done and analysis reports on KRI are issued, based on identified information on risks.
- Continually enhancing the KRI monitoring system.
- Developed the internal control self-assessment system to foster internal controls in the Company.
- Promotion of ongoing training on risk management and internal control to cultivate a corporate culture of risk management.

RISK MANAGEMENT

In 2013, the Company's risk management system was further enriched and enhanced basing on the work accomplished in previous periods. Major tasks in 2013 are set out below:

1. Key Risk Indicators Monitoring System

We identified 24 Key Risk Indicators (KRI) which we considered that closer monitoring is required. The Audit and Supervision Department conducted regular reviews of the organisation's significant risks and compiled the KRI monitoring report. Based on the Company's business practice and data on risk factors identified by the KRI monitoring system, the Company was able to address high-risk areas for in-depth analysis and assessment. We have identified 5 significant risk factors in 2013, namely raw materials prices volatility risks, production safety risks, food safety risks, policies risks and competitors risks.

2. Internal Control Self-assessment System

The development and continual enhancement of an internal control self-assessment system is one of the most effective tools to promote the continuous enhancement of internal controls in the Company and is also for satisfying the requirements under "Basic Standards for Enterprises' Internal Control", jointly issued by the five ministries/commissions including the Ministry of Finance of China and the China Securities Regulatory Commission, and the related guidelines and relevant regulations. The Company has completed development of the framework of the internal control self-assessment system, and formulated it in our "Administrative measures for the internal control self-assessment of China Agri-Industries Holdings Limited (Provisional)". Also, the system was optimised and improved in light of the internal control findings during the course of system development.

The Company formulated specific risk management and control measures in relevant areas (such as management structure, business policies and processes, and management reporting) on the basis of the KRI monitoring system and the internal control self-assessment system.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

Chairman and Executive Director

Mr. YU Xubo, aged 48, was appointed as Chairman of the Board in March 2012 and has been an executive director of the Company since January 2007. Mr. Yu joined COFCO Corporation and/or its subsidiaries (together but excluding the Company and its subsidiaries, collectively referred to as "COFCO Group") in 1988. He has been the president of COFCO Corporation since April 2007 and previously served at COFCO Group in various positions including the general manager of COFCO Futures Co., Ltd. (中糧期貨有限公司) and a vice president of COFCO Corporation. Mr. Yu is the chairman of the board and a non-executive director of China Foods Limited and China Modern Dairy Holdings Ltd. (both are companies listed in Hong Kong), and the vice-chairman of the board and a non-executive director of China Mengniu Dairy Company Limited (a company listed in Hong Kong). He is a director of COFCO Meat Investment Company Limited and the chairman of the board of COFCO Coca-Cola Beverages Limited. He is also a director of Wide Smart Holdings Limited and COFCO (BVI) No. 108 Limited and the managing director of COFCO (Hong Kong) Limited, all of them are substantial shareholders of the Company. Mr. Yu 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) on 29 May 2013. Mr. Yu holds a Bachelor's degree in Economics from University of International Business and Economics in Beijing and an Executive Master of Business Administration (EMBA) from China Europe International Business School.

Executive Directors

Mr. YUE Guojun, aged 50, professor level senior engineer, was appointed as a director of the Company in January 2007 and has been re-designated as an executive director and the Managing Director of the Company since October 2013. He joined COFCO Group in November 2005. Mr. Yue was an assistant president of COFCO Corporation, a vice president of the Company and the general manager of the biochemical and biofuel division of the Company. He has been the chief engineering officer of COFCO Corporation since February 2013. He is the chairman of the board of COFCO Biochemical (Anhui) Co., Ltd., a company listed on the Shenzhen Stock Exchange, and 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. Mr. Yue was accredited by the State Council via a scholarship program in 2007, and was elected as one of the deputies of 12th National People's Congress of the PRC in February 2013. Mr. Yue has been the chairman of China Starch Industry Association since November 2011. He has over 20 years of experience in overall enterprise management. Mr. Yue holds a Bachelor's degree from Chemical Engineering Department of Jilin Institute of Chemical Technology, a Master's degree in Environmental Engineering from Harbin Institute of Technology and an Engineering PhD's degree in Chemical Engineering and Technology from Beijing University of Chemical Technology.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

Mr. SHI Bo, aged 47, was appointed as an executive director of the Company in October 2013 and has been a vice president of the Company since July 2010, taking charge of the Company's finance, human resources and investor relations. Mr. Shi joined COFCO Group in 2005 and was the deputy general manager of the biochemical and biofuel division and the general manager of finance department of the Company. Prior to that, Mr. Shi was the financial controller of China Resources Alcohol (Heilongjiang) Co., Ltd. and also served at Shougang Group for various positions including the assistant general manager of group finance, a director and the general manager of finance and planning department of Shougang Hierro Peru SA. From November 2007 to August 2011, Mr. Shi worked as a director of COFCO Biochemical (Anhui) Co., Ltd.. Mr. Shi is a member of The Chinese Institute of Certified Public Accountants. He holds a Bachelor's degree in Economics from Anhui University of Finance & Economics and an Executive Master of Business Administration (EMBA) from China Europe International Business School.

Non-executive Directors

Mr. NING Gaoning, aged 55, has been a non-executive director of the Company since January 2007. Mr. Ning holds directorships in COFCO Group from December 2004. Mr. Ning is the chairman of the board of COFCO Corporation, a director of Wide Smart Holdings Limited and the chairman of the board of COFCO (Hong Kong) Limited, all of them are substantial shareholders of the Company. Mr. Ning is a non-executive director of China Foods Limited, a non-executive director of CPMC Holdings Limited, the chairman of the board and a non-executive director of China Mengniu Dairy Company Limited, all of them are Hong Kong-listed companies. Mr. Ning is also a director of BOC International Holdings Limited, an independent non-executive director of BOC Hong Kong (Holdings) Limited (a company listed in Hong Kong) and an independent director of Huayuan Property Co., Ltd. (a company listed on the Shanghai Stock Exchange). Before joining COFCO Group, Mr. Ning held various positions such as vice-chairman, director and general manager at China Resources (Holdings) Company Limited and certain of its subsidiaries. He was the general manager of China Resources National Corporation from June 1999 to December 2004. Mr. Ning holds a Bachelor's degree in Economics from Shandong University in China and a Master of Business Administration degree from University of Pittsburgh in the United States.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

Mr. MA Wangjun, aged 49, was appointed as a non-executive director of the Company in January 2007. Mr. Ma joined COFCO Group in August 1988. He held various positions in COFCO Group, including deputy general manager of finance and planning, the general manager of asset management and the deputy head and head of finance department. Mr. Ma is a non-executive director of COFCO Land Holdings Limited (formerly known as The Hong Kong Parkview Group Limited) and was a non-executive director of China Mengniu Dairy Company Limited (both companies are listed in Hong Kong). He has been the chief financial officer of COFCO Corporation since November 2012. Mr. Ma holds a Bachelor's degree in Economics from Beijing Technology and Business University and an Executive Master of Business Administration (EMBA) from Cheung Kong Graduate School of Business.

Mr. WANG Zhiying, aged 43, was appointed as a non-executive director of the Company in March 2011. Mr. Wang previously worked in China Agricultural University and a government department in the areas of training and education, human resources development, project management and general management and involved in various human resources development and talent development projects and in charge of the planning, design and management of various education institutions. Mr. Wang joined COFCO Group in September 2009 and was deputy general manager of China Foods Limited (a company listed in Hong Kong), with responsibility for strategy management, food safety, production safety and innovation, research and development. He is the head of human resources of COFCO Corporation. Mr. Wang has extensive experience in organisation development, talent development, strategy planning, project management and general management. Mr. Wang holds a Bachelor of Arts degree in Sociology from Peking University and an Executive Master of Business Administration (EMBA) from China Europe International Business School.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

Independent Non-executive Directors

Mr. LAM Wai Hon, Ambrose, aged 60, was appointed as an independent non-executive director of the Company in January 2007. Mr. Lam is a fellow member of the Institute of Chartered Accountants in England and Wales and a member of Hong Kong Institute of Certified Public Accountants. He holds a Bachelor of Arts (Honours) degree from University of Newcastle Upon Tyne in England. Mr. Lam is the Chief Executive Officer of Investec Capital Asia Limited (formerly known as Access Capital Limited prior to its acquisition by Investec Bank PLC in April 2011) and the Country Head of China & Hong Kong of the Investec Group. Prior to establishing Access Capital Limited in 2000, Mr. Lam was the managing director and head of Global Investment Banking for Greater China of Deutsche Bank AG (Hong Kong). He was also the managing director and head of Greater China Investment Banking of the Bankers Trust Company, and the managing director of Yuanta Securities (Hong Kong) Company Limited. Mr. Lam started his investment banking career with Kleinwort Benson Group in London in 1984 before joining Standard Chartered Asia Limited in Hong Kong where he held the position of managing director in corporate finance. Mr. Lam was an independent non-executive director of Shenzhen Express Company Limited (a listed company) and he held this position until the expiry of his term of office on 31 December 2011.

Mr. Victor YANG, aged 68, was appointed as an independent non-executive director of the Company in January 2007. Mr. Yang holds a Bachelor of Commerce degree and a Juris Doctorate degree from the University of British Columbia, Canada. He is a founding partner of Boughton Peterson Yang Anderson, a Canadian based law firm, and is presently the managing partner of Boughton Peterson Yang Anderson in Hong Kong. He is a solicitor of the Supreme Court of Hong Kong, a barrister and solicitor in British Columbia, Canada and a solicitor in England and Wales. Mr. Yang is presently a director and an immediate past governor of the Canadian Chamber of Commerce in Hong Kong. He is an independent non-executive director of Playmates Toys Limited, Singamas Container Holdings Limited and One Media Group Limited (with effect from 1 April 2014), all of which are companies, shares of which are listed on the Stock Exchange of Hong Kong. He is also a non-executive director of Lei Shing Hong Limited, shares of which were listed on the Stock Exchange of Hong Kong up to 17 March 2008 before their withdrawal on that date.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

Mr. Patrick Vincent VIZZONE, aged 42, was appointed as an independent non-executive director of the Company in June 2007. Mr. Vizzone holds a Bachelor's degree in History and Political Science from Monash University, Australia and a Master of Business Administration degree in Finance from Manchester Business School, the United Kingdom. Mr. Vizzone is a Fellow of the Hong Kong Institute of Directors. He also serves as member of the Global Development Committee of the Produce Marketing Association. Presently, Mr. Vizzone is the Regional Head of Food & Agribusiness, Asia, Institutional Banking at National Australia Bank. Prior to joining National Australia Bank, he held regional leadership roles with Rabobank Asia (Head of Food & Agribusiness and Head of Food & Agribusiness Advisory & Research) and The General Electric Company (Strategic Marketing & New Product Introductions Leader, GE Capital Asia Pacific). He has over 20 years experience in agribusiness and corporate and investment banking. Before engaging in his banking career, he was a founding Director and Deputy General Manager in Shanghai Asia-Pacific International Vegetable Co. (SAPIV) and as a cofounder of China Green Concepts.

Senior Management

Senior management of the Company consists of seven persons (of whom three are executive directors namely Mr. Yu Xubo, Mr. Yue Guojun and Mr. Shi Bo), with responsibility for main decisions on management and operations. Other than the persons named above, the senior management includes:

Ms. YANG Hong, aged 50, is a vice president of the Company, taking charge of key account management and the rice business. Ms. Yang joined COFCO Group in 1989 and held various positions at COFCO Group, including the deputy general manager of COFCO Cereals, Oils & Feedstuffs Import & Export Company (中糧糧油飼料進出口公司) and is the general manager of the rice division of the Company. She has been a senior industry executive of COFCO Group since February 2013. Ms. Yang holds a Bachelor's degree in Economics from University of International Business and Economics in Beijing and an Executive Master of Business Administration (EMBA) from China Europe International Business School.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

Mr. REN Zhi, aged 55, has been a vice president of the Company since May 2013. He is in-charge of the Company's administration and corporate culture. Mr. Ren previously worked in varous government departments. Mr. Ren had been vice president of China Grain and Logistics Corporation from November 2006 to May 2013. He holds a Bachelor's degree in Engineering from Northeast Normal University and a Master's degree in Economics from Jilin University.

Mr. ZENG Xianfeng, aged 46, has been appointed as a vice president of the Company since March 2014, taking charge of the oilseeds processing business of the Company. Mr. Zeng joined COFCO Group in September 1996 and held various positions at COFCO Group, including deputy general manager of COFCO Futures Co., Ltd. (中糧期貨有限公司). He was deputy general manager and executive deputy general manager of the oilseeds processing division, deputy general manager of finance department and is the general manager of the oilseeds processing division of the Company. Mr. Zeng holds a Bachelor's degree in Economics and a Master's degree in Economics from Beijing Technology and Business University.

Mr. CHANG Muping, aged 48, has been a vice president of the Company since March 2014, taking charge of commodity risk management of the Company. He previously worked in the Ministry of Commerce Information Centre and futures department of CADTIC (中國農業發展信托投資公司). He joined COFCO Group in August 1996 and held various positions at COFCO Group, including manager of COFCO Futures Co., Ltd. (中糧期貨有限公司). He was assistant to general manager and deputy general manager of the oilseeds processing division of the Company and is the general manager of risk control department of the Company. Mr. Chang holds a Bachelor's degree in Engineering and a Master's degree in Engineering from Huazhong University of Science and Technology.

REPORT OF THE DIRECTORS

The directors (the "Directors") of China Agri-Industries Holdings Limited (the "Company") are pleased to present this annual report and the audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2013.

Corporate Information

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

The Company has one class of shares in issue. These shares commenced trading on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 21 March 2007.

Principal Activities

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

Results and Dividends

The results of the Group for the year ended 31 December 2013 and the state of affairs of the Company and the Group as at that date are set out in the financial statements on pages 74 to 183.

The Board of Directors recommended a final dividend for the year ended 31 December 2013 of 4.1 HK cents (2012: 3.5 HK cents) per share. Subject to shareholders approving this recommendation at the forthcoming annual general meeting, the final dividend will be paid on or around Friday, 11 July 2014 to the shareholders whose names appear on the register of members of the Company on Friday, 13 June 2014. 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 will withhold 10% enterprise income tax when the final dividend for the year ended 31 December 2013 is distributed to non-resident enterprise shareholders.

The proposed final dividend together with the interim dividend of 3.1 HK cents per share paid on 8 October 2013 amounts to a total of about HK$378.0 million.

Financial Information Summary

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years is set out on page 2 of this annual report. This summary does not form part of the audited financial statements.

REPORT OF THE DIRECTORS

Property, Plant and Equipment

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

Issued Capital

Details of movements in the Company's issued capital during the year, together with the reasons thereof, are set out in note 29 to the financial statements.

Share Option Scheme

The Company maintains a share option scheme (the "Scheme"), which was conditionally adopted on 12 January 2007 and became effective upon listing of the Company's shares on 21 March 2007. Amendment to the Scheme relating to the vesting schedule was approved by the shareholders on 25 May 2010. Details of the Scheme are set out below.

1. Purpose of the Scheme

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

2. Participants of the Scheme

Pursuant to, and subject to, the terms and conditions stipulated in the Scheme, the Board of Directors may in its discretion grant share options to persons selected from: (i) any executive or non-executive directors of any members of the Group; (ii) any senior executives, key technical staff, professional staff, managers or employees of any members of the Group; or (iii) any other individuals as may be proposed by the Board. No independent non-executive director of the Company shall be granted an option.

3. Total Number of Shares Available for Issue under the Scheme

The maximum number of shares which may be issued upon exercise of all options granted under the Scheme and all other share option schemes of the Company (if any) shall not in aggregate exceed 10% of the number of shares in issue on the date on which dealings in the shares first commenced on the Stock Exchange, i.e. 348,922,935 shares. The Company may renew the 10% limit at any time subject to prior shareholders' approval, provided that the limit as renewed shall not exceed 10% of the number of shares in issue as at the date of the relevant approval.

As at the date of this annual report, the total number of shares available for issue, save for those granted but yet to be exercised, under the Scheme is 276,923,935 shares, which represented approximately 5.27% of the number of shares in issue of the Company as at the date of this annual report.

4. Maximum Entitlement of Each Participant under the Scheme

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

5. Option Period

The option period shall be such period determined by the Board and notified to the grantee but shall not exceed a period of 7 years commencing on the date of acceptance of the option and expiring on the last date of such 7-year period, subject to the provisions for early termination thereof contained in the Scheme.

6. Vesting Schedule

An option must be held for a minimum period of 2 years from the date on which it was granted before it can be exercised. In addition, an option shall be subject to the following vesting schedule:

Periods	Percentage of an option which may be exercised
Upon and after the second anniversary of the grant but no later than the third anniversary of the grant	20%
Upon and after the third anniversary of the grant but no later than the fourth anniversary of the grant	40%
Upon and after the fourth anniversary of the grant but no later than the fifth anniversary of the grant	60%
Upon and after the fifth anniversary of the grant but no later than the sixth anniversary of the grant	80%
Upon and after the sixth anniversary of the grant but no later than the seventh anniversary of the grant	100%

REPORT OF THE DIRECTORS

7. Acceptance of an Offer of Options

The offer of the grant of an option may be accepted within 28 days from the date of offer. The grantee is required to pay HK$1.00 as consideration for the grant of an option upon acceptance of the granted option.

8. Exercise Price

The exercise price of a share in the Company shall be such price determined by the Board and notified to the grantee but shall be at least the higher of:

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

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

(iii) HK$0.1, the nominal value of the share immediately before the commencement date of section 135 of the new Companies Ordinance, Chapter 622 of the Laws of Hong Kong.

9. Period of the Scheme

The Scheme has a life of 10 years until 20 March 2017.

REPORT OF THE DIRECTORS

10. Movements in the Share Options

Details of the movements in the share options during the year ended 31 December 2013 are as follows:

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 31 December 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
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
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
SHI Bo	7-8-2007	4.399	7-8-2009	7-8-2009 to 6-8-2014	100,000	6,000	–	–	106,000
			7-8-2010	7-8-2010 to 6-8-2014	100,000	6,000	–	–	106,000
			7-8-2011	7-8-2011 to 6-8-2014	100,000	6,000	–	–	106,000
			7-8-2012	7-8-2012 to 6-8-2014	100,000	6,000	–	–	106,000
			7-8-2013	7-8-2013 to 6-8-2014	100,000	6,000	–	–	106,000
					500,000	30,000	–	–	530,000
(B) Employees	7-8-2007	4.399	7-8-2009	7-8-2009 to 6-8-2014	1,951,000	113,632	–	90,800	1,973,832
			7-8-2010	7-8-2010 to 6-8-2014	4,560,000	266,592	–	109,800	4,716,792
			7-8-2011	7-8-2011 to 6-8-2014	4,506,000	263,592	–	52,800	4,716,792
			7-8-2012	7-8-2012 to 6-8-2014	4,506,000	263,592	–	52,800	4,716,792
			7-8-2013	7-8-2013 to 6-8-2014	4,506,000	263,592	–	52,800	4,716,792
					20,029,000	1,171,000	–	359,000	20,841,000
	Total				23,179,000	1,360,000	–	359,000	24,180,000

REPORT OF THE DIRECTORS

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 31 December 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
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
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
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
SHI Bo	31–3–2011	8.220	31–3–2013	31–3–2013 to 30–3–2018	100,000	6,000	–	–	106,000
			31–3–2014	31–3–2014 to 30–3–2018	100,000	6,000	–	–	106,000
			31–3–2015	31–3–2015 to 30–3–2018	100,000	6,000	–	–	106,000
			31–3–2016	31–3–2016 to 30–3–2018	100,000	6,000	–	–	106,000
			31–3–2017	31–3–2017 to 30–3–2018	100,000	6,000	–	–	106,000
					500,000	30,000	–	–	530,000

REPORT OF THE DIRECTORS

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 31 December 2013
(B) Employees	31-3-2011	8.220	31-3-2013	31-3-2013 to 30-3-2018	8,240,000	489,000	–	230,800	8,498,200
			31-3-2014	31-3-2014 to 30-3-2018	8,240,000	489,000	–	368,600	8,360,400
			31-3-2015	31-3-2015 to 30-3-2018	8,240,000	489,000	–	368,600	8,360,400
			31-3-2016	31-3-2016 to 30-3-2018	8,240,000	489,000	–	368,600	8,360,400
			31-3-2017	31-3-2017 to 30-3-2018	8,240,000	489,000	–	368,600	8,360,400
					41,200,000	2,445,000	–	1,705,200	41,939,800
	Total				44,550,000	2,646,000	–	1,705,200	45,490,800

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 Scheme is set out in note 30 to the financial statements.

Reserves

Details of movements in the reserves of the Company and the Group during the year are set out in note 31 to the financial statements and in the consolidated statement of changes in equity on page 78 of this annual report.

Distributable Reserves

As at 31 December 2013, the Company's reserves available for distribution amounted to approximately HK$2,978.0 million, of which HK$215.2 million has been proposed as a final dividend for the year. In addition, the Company's share premium account in the amount of approximately HK$9,246.7 million may be distributable in the form of fully paid bonus shares.

REPORT OF THE DIRECTORS

Major Customers and Suppliers

In the year under review, no sales to the Group's five largest customers and purchases from the Group's five largest suppliers accounted for over 30% of the total sales for the year and of the total purchases for the year, respectively.

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

Directors

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

NING Gaoning	
YU Xubo	
LV Jun	(resigned on 14 October 2013)
YUE Guojun	
SHI Bo	(appointed on 14 October 2013)
MA Wangjun	
WANG Zhiying	
LAM Wai Hon, Ambrose	
Victor YANG	
Patrick Vincent VIZZONE	

The Directors are appointed with a specific term of three years and are subject to retirement by rotation at least once every three years in accordance with the Articles of Association of the Company. According to Article 106 thereof, Mr. Yue Guojun, Mr. Wang Zhiying and Mr. Patrick Vincent Vizzone and, in accordance with Article 111, Mr. Shi Bo will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Directors' and Senior Management's Biographies

Biographical details of the Directors and the senior management of the Group are set out on pages 48 to 53 of this annual report.

REPORT OF THE DIRECTORS

Directors' Service Contracts

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

Directors' Interests in Contracts

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

Directors' Remuneration

Details of the Directors' fees for the year are set out in note 8 to the financial statements. Other emoluments are determined by the Remuneration Committee pursuant to the Articles of Association with reference to market conditions, directors' duties, responsibilities and performance and the results of the Group.

Management Contracts

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

Convertible Securities, Options, Warrants or Similar Rights

On 21 July 2010, the Company entered into a bond subscription agreement in connection with the issue of HK$ Fixed Rate Guaranteed Convertible Bonds Due 2015 in an aggregate principal amount of HK$3,875 million by Glory River Holdings Limited, a wholly-owned subsidiary of the Company. The convertible bonds are guaranteed by the Company and convertible into ordinary shares of the Company at an initial conversion price of HK$11.375 per share. On 29 July 2013, pursuant to the terms and conditions of the convertible bonds, Glory River Holdings Limited redeemed HK$2,668.5 million in the principal amount of the convertible bonds and therefore the outstanding principal amount is HK$1,206.5 million. During the year, the conversion price was adjusted from HK$10.175 to HK$10.00 per share with effect from 18 September 2013 as a result of the payment of dividends. The particulars of convertible bonds are set out in note 27 to the financial statements.

Save as mentioned above and the outstanding options granted under the Scheme, there is no conversion or subscription rights under any convertible securities, options, warrants or similar rights issued or granted during the year by the Company or any of its subsidiaries.

REPORT OF THE DIRECTORS

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

As at 31 December 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 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 contained in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (together, "Discloseable Interests") were as follows:

Interests in 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%
YUE Guojun	Beneficial owner	460,000	1,272,000	0.03%
SHI Bo	Beneficial owner	–	1,060,000	0.02%
MA Wangjun	Beneficial owner	–	1,219,000	0.02%
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 31 December 2013, being 5,249,880,788 shares.
3. 235,364 shares were held by the spouse of Mr. Yu Xubo.

REPORT OF THE DIRECTORS

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 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 31 December 2013, being 2,797,223,396 shares.

Save as disclosed above, as at 31 December 2013, none of the Directors, chief executive or their respective associates had any other Discloseable Interests.

Substantial Shareholders' Interests in the Shares of the Company

As at 31 December 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%

REPORT OF THE DIRECTORS

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 31 December 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 31 December 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.

Sufficiency of Public Float

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

Connected Transactions

During the year, the Group conducted the following transactions with certain connected persons of the Company. These transactions constituted connected transactions or continuing connected transactions and are subject to reporting requirements under Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

1. 2011 COFCO Mutual Supply Agreement

The Company and COFCO Corporation ("COFCO") entered into an agreement on 21 October 2011 (the "2011 COFCO Mutual Supply Agreement") to regulate the relationship between COFCO and its associates (including China Foods Limited, but excluding the Group) (collectively, "COFCO Group") and the Group in respect of the mutual supply of raw materials, products, finance, logistics, agency and other related services. The 2011 COFCO Mutual Supply Agreement is for a term of 3 years from 1 January 2012 to 31 December 2014.

During the year, the aggregate value of raw materials, products, finance, logistics, agency and other related services supplied by COFCO Group to the Group including soybeans, palm oil, oil tanks, wheat, white rice, barley and other relevant products as well as logistics and support services was approximately RMB984.49 million, while the aggregate value of products and services supplied by the Group to COFCO Group including bulk edible oil, soybean feed, soybean meal, alcohol and rice husk powder, malt, feed and other relevant products as well as logistics and support services was approximately RMB7,337.24 million.

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

2. 2011 Wilmar Mutual Supply Agreement

The Company and Wilmar International Limited ("Wilmar International") entered into an agreement on 21 October 2011 (the "2011 Wilmar Mutual Supply Agreement"), pursuant to which Wilmar International and its subsidiaries ("Wilmar International Group") and the Group would mutually supply raw materials, products, logistics and other related services. The term of the 2011 Wilmar Mutual Supply Agreement is 3 years from 1 January 2012 to 31 December 2014.

During the year, the aggregate value of the products and services supplied by Wilmar International Group to the Group was approximately RMB540.45 million, and the aggregate value of the products and services supplied by the Group to Wilmar International Group was approximately RMB3,262.22 million.

According to the Listing Rules, Wilmar International is an associate of a substantial shareholder of certain subsidiaries of the Company and, therefore, Wilmar International Group is a connected person of the Company.

3. Financial Services Agreements

3.1 2012 Financial Services Agreement

In consideration of the treasury management of the Company taking into account the business development plans and financial needs of the Group, as well as the benefit of the Company and its shareholders as a whole, the Company, COFCO Finance Co., Ltd. ("COFCO Finance") and COFCO Agri-Industries Management Co., Ltd. (the "Management Company") entered into the 2012 Financial Services Agreement on 27 December 2012 for a term of one year from 1 January 2013, whereby relevant members of the Group (including the Management Company) maintained RMB depository accounts with COFCO Finance which, acting as a financial agent on a free-of-charge basis, advanced entrustment loans to the Management Company. In turn, the Management Company advanced such fund to certain of the Company's subsidiaries which were in need of fund.

During the year, the maximum daily balance of deposits (including accrued interests) placed by the Group with COFCO Finance was approximately RMB725.00 million.

According to the Listing Rules, COFCO Finance is a connected person of the Company by virtue of its being an indirectly wholly-owned subsidiary of COFCO.

REPORT OF THE DIRECTORS

3.2 2013 Financial Services Agreement

The Company entered into the 2013 Financial Services Agreement with COFCO Finance and Management Company on 6 December 2013 whereby COFCO Finance would further provide depository and entrustment loan services for a term of one year from 1 January 2014. The annual cap on the maximum daily balance of deposits (including accrued interests) placed by the Group with COFCO Finance pursuant to the 2013 Financial Services Agreement is set out in the Company's announcement made on 6 December 2013.

4. Excel Joy Capital Increase Agreement

On 20 December 2013, Excel Joy International Limited ("Excel Joy International"), a wholly-owned subsidiary of the Company, COFCO and COFCO Excel Joy (Tianjin) Co., Ltd. ("COFCO Excel Joy") entered into the Excel Joy Capital Increase Agreement to the effect that COFCO will become a new shareholder of COFCO Excel Joy from the date when COFCO Excel Joy is issued its revised business license resulted from the capital increase. Immediately after the completion of the Excel Joy Capital Increase Agreement, COFCO Excel Joy will be owned as to approximately 75.83% by Excel Joy International and approximately 24.17% by COFCO. The total investment by COFCO in COFCO Excel Joy pursuant to the Excel Joy Capital Increase Agreement is RMB384,530,000. Excel Joy International and COFCO also entered into the Joint Venture Agreement and passed the Articles of Association in relation to COFCO Excel Joy on 20 December 2013.

COFCO is a controlling shareholder of the Company thus a connected person of the Company under the Listing Rules. In turn, the transactions under the Excel Joy Capital Increase Agreement constituted connected transactions under Chapter 14A of the Listing Rules.

5. Yellowsea Capital Increase Agreement

On 20 December 2013, COFCO (BVI) No. 24 Limited ("COFCO No. 24"), a wholly-owned subsidiary of the Company, Grand Silver (Lanshan) Limited ("Grand Silver"), a non-wholly-owned subsidiary of the Company, COFCO and COFCO Yellowsea Oils & Grains Industries (Shandong) Co., Ltd. ("COFCO Yellowsea") entered into the Yellowsea Capital Increase Agreement to the effect that COFCO will become a new shareholder of COFCO Yellowsea from the date when COFCO Yellowsea is issued its revised business license resulted from the capital increase. Immediately after the completion of the Yellowsea Capital Increase Agreement, COFCO Yellowsea will be owned as to approximately 53.22% by Grand Silver, approximately 43.58% by COFCO No. 24 and approximately 3.20% by COFCO. The total investment by COFCO in COFCO Yellowsea pursuant to the Yellowsea Capital Increase Agreement is RMB47,550,000. COFCO No. 24, Grand Silver and COFCO also entered into the Joint Venture Agreement and passed the Articles of Association in relation to COFCO Yellowsea on 20 December 2013.

COFCO is a controlling shareholder of the Company thus a connected person of the Company under the Listing Rules. In turn, the transactions under the Yellowsea Capital Increase Agreement constituted connected transactions under Chapter 14A of the Listing Rules.

6. Qinzhou Capital Increase Agreement

On 20 December 2013, Oriental Chance Limited ("Oriental Chance"), a wholly-owned subsidiary of the Company, COFCO and COFCO Oils (Qinzhou) Co., Ltd. ("COFCO Qinzhou") entered into the Qinzhou Capital Increase Agreement to the effect that COFCO will become a new shareholder of COFCO Qinzhou from the date when COFCO Qinzhou is issued its revised business license resulted from the capital increase. Immediately after the completion of the Qinzhou Capital Increase Agreement, COFCO Qinzhou will be owned as to approximately 95.32% by Oriental Chance and approximately 4.68% by COFCO. The total investment by COFCO in COFCO Qinzhou pursuant to the Qinzhou Capital Increase Agreement is RMB67,920,000. Oriental Chance and COFCO also entered into the Joint Venture Agreement and passed the Articles of Association in relation to COFCO Qinzhou on 20 December 2013.

COFCO is a controlling shareholder of the Company thus a connected person of the Company under the Listing Rules. In turn, the transactions under the Qinzhou Capital Increase Agreement constituted connected transactions under Chapter 14A of the Listing Rules.

Several related party transactions as disclosed in note 37 to the financial statements fall under the definition of "continuing connected transactions" in Chapter 14A of the Listing Rules. The Company has complied with the disclosure requirements for the above connected transactions in accordance with Chapter 14A of the Listing Rules.

Annual Review of Continuing Connected Transactions

The Independent Non-executive Directors have reviewed the continuing connected transactions set out in items 1, 2 and 3.1 of the preceding section for the year ended 31 December 2013 (collectively, the "CCTs") and confirmed that the CCTs were: (i) entered into in the ordinary and usual course of business of the Group; (ii) entered into on normal commercial terms; (iii) in accordance with the terms of the respective agreements that are fair and reasonable and in the interests of the shareholders of the Company as a whole; and (iv) carried out in accordance with the terms of the agreements governing such transactions or, where there was no such agreement, on terms no less favourable than those available to or from independent third parties. The annual caps for the CCTs have not been exceeded.

Ernst & Young, the Company's auditors, were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and with reference to Practice Note 740 *Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules* issued by the Hong Kong Institute of Certified Public Accountants. Ernst & Young have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions for the year ended 31 December 2013 disclosed above in accordance with Rule 14A.38 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

REPORT OF THE DIRECTORS

Directors' Interests in Competing Business

Pursuant to Rule 8.10 of the Listing Rules, during the year and up to the date of this annual report, the following Directors are considered to have business interests which are likely to compete directly or indirectly with the business of the Group:

1. As disclosed in the section "Non-competition Deed" below, COFCO holds equity interests in certain companies which compete or may compete with the Company's business. Mr. Ning Gaoning is the chairman of the board of COFCO. At COFCO, Mr. Yu Xubo is the president; Mr. Yue Guojun is the chief engineering officer; Mr. Ma Wangjun is the chief financial officer; and Mr. Wang Zhiying is the head of human resources. Mr. Yue Guojun is also the chairman of COFCO Biochemical (Anhui) Co., Ltd..

2. Wilmar International holds certain business which is similar to our oilseeds processing business. Mr. Yue Guojun is a director of Grand Silver (Laiyang) Co. Limited, a subsidiary of Wilmar International.

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

Purchase, Redemption or Sale of the Company's Listed Securities

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2013.

Non-competition Deed

COFCO, COFCO (Hong Kong) Limited and the Company executed a non-competition deed on 16 February 2007 (the "Non-competition Deed"), pursuant to which, COFCO and COFCO (Hong Kong) Limited have granted to the Company options to acquire all or part of the prescribed retained interests which compete or may compete with the Company's businesses held by COFCO (the "Retained Business"), on the basis of a valuation to be conducted by an independent valuer, subject to any relevant laws and applicable rules, relevant authorities' approvals and existing third-party pre-emptive rights (if any). Under the Non-competition Deed, if COFCO or COFCO (Hong Kong) Limited intends to transfer, sell, lease, license or dispose to any third party any direct or indirect interest in any of such Retained Business, then the Company has pre-emptive rights to purchase any Retained Business on terms no less favourable than those offered to such third party.

The option of the Company (the "COFCO Biochemical Option") to acquire from COFCO interest in COFCO Biochemical (Anhui) Co., Ltd. ("COFCO Biochemical") became effective on 3 April 2007. As disclosed in the section "Non-competition Deed" of the Company's 2012 annual report, having taken into account the principal factors and considerations set out in the announcement of the Company dated 16 March 2012, all Independent Non-executive Directors decided that it was not in the best interests of the Company and its shareholders as a whole to make a final and definitive decision whether or not to exercise the option to acquire from COFCO interest in COFCO Biochemical, despite the fact that the fifth anniversary (being the last year of the option period) of the COFCO Biochemical Option having become effective was 3 April 2012. And they further decided to extend the COFCO Biochemical Option for

REPORT OF THE DIRECTORS

further three years, starting from 3 April 2012. On 28 March 2013, the Independent Non-executive Directors held a meeting to consider whether or not to exercise the COFCO Biochemical Option. The Independent Non-executive Directors reviewed relevant information of COFCO Biochemical provided by COFCO and unanimously resolved not to, for the time being, exercise the COFCO Biochemical Option. The Independent Non-executive Directors will continue to review the COFCO Biochemical Option at least annually and to disclose the reasons for their decision by way of announcement.

Corporate Governance

The Company is committed in developing good corporate governance standards. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 31 to 45 of this annual report.

Donations

During the year, the Group made charitable and other donations amounting to approximately HK$3.75 million.

Review by the Audit Committee

The Audit Committee has reviewed with the auditors of the Company the consolidated financial statements for the year ended 31 December 2013 and has also discussed auditing, internal control and financial reporting matters including the review of the accounting practices and principles adopted by the Group.

Auditors

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

On behalf of the Board

YU Xubo
Chairman

Hong Kong, 26 March 2014

CHINA AGRI-INDUSTRIES HOLDINGS LIMITED

Audited Financial Statements

INDEPENDENT AUDITORS' REPORT

EY 安永

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

We have audited the consolidated financial statements of China Agri-Industries Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 74 to 183, which comprise the consolidated and company statements of financial position as at 31 December 2013, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

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

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

INDEPENDENT AUDITORS' REPORT (continued)

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2013, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants

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

26 March 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
REVENUE	4, 5	**94,543,022**	91,319,186
Cost of sales	6	**(88,896,016)**	(85,454,737)
Gross profit		**5,647,006**	5,864,449
Other income and gains	5	**2,094,277**	1,246,752
Selling and distribution expenses		**(3,169,974)**	(2,881,017)
Administrative expenses		**(1,960,440)**	(1,749,917)
Other expenses		**(20,248)**	(10,194)
Finance costs	7	**(594,429)**	(883,683)
Share of profits of associates		**184,102**	23,725
PROFIT BEFORE TAX	6	**2,180,294**	1,610,115
Income tax expense	10	**(408,447)**	(198,420)
PROFIT FOR THE YEAR		**1,771,847**	1,411,695
Attributable to:			
Owners of the Company		**1,521,319**	1,227,523
Non-controlling interests		**250,528**	184,172
		1,771,847	1,411,695
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	13		
Basic		**28.98 HK cents**	28.48 HK cents
Diluted		**28.92 HK cents**	28.46 HK cents

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2013

	2013 HK$'000	2012 HK$'000
PROFIT FOR THE YEAR	**1,771,847**	1,411,695
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange difference on translation of foreign operations	**855,711**	613
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	**855,711**	613
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**855,711**	613
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**2,627,558**	1,412,308
Attributable to:		
Owners of the Company	**2,267,119**	1,228,748
Non-controlling interests	**360,439**	183,560
	2,627,558	1,412,308

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**25,202,383**	23,205,892
Prepaid land premiums	15	**2,775,758**	2,645,385
Deposits for purchases of items of property, plant and equipment		**316,450**	337,371
Goodwill	16	**1,079,869**	1,076,038
Investments in associates	18	**2,303,222**	2,176,386
Available-for-sale investments	19	**382**	160,696
Intangible assets	20	**59,988**	53,785
Due from associates	18	**132,786**	77,092
Deferred tax assets	28	**807,000**	713,869
Total non-current assets		**32,677,838**	30,446,514
CURRENT ASSETS			
Inventories	21	**18,304,422**	19,517,095
Accounts and bills receivables	22	**4,244,776**	4,163,086
Prepayments, deposits and other receivables		**4,175,051**	4,888,234
Derivative financial instruments	23	**525,522**	333,318
Due from fellow subsidiaries	37	**4,972,782**	2,893,822
Due from related companies	37	**433,155**	126,542
Due from the ultimate holding company	37	**9,565**	336
Due from non-controlling shareholders of subsidiaries	37	**51,898**	75,652
Due from associates	18	**1,428,601**	1,452,997
Tax recoverable		**309,670**	181,825
Available-for-sale investments	19	**1,691,617**	1,116,083
Pledged deposits	24	**663**	21,708
Cash and cash equivalents	24	**13,943,724**	9,387,222
Total current assets		**50,091,446**	44,157,920
CURRENT LIABILITIES			
Accounts and bills payables	25	**7,989,018**	3,434,745
Other payables and accruals		**5,688,371**	6,262,168
Deferred income		**38,075**	76,407
Derivative financial instruments	23	**–**	123,734
Interest-bearing bank and other borrowings	26	**30,233,451**	22,536,135
Convertible bonds	27	**–**	3,897,751
Due to fellow subsidiaries	37	**766,483**	304,489
Due to the ultimate holding company	37	**782,674**	3,596
Due to an intermediate holding company	37	**2,502**	45,819
Due to related companies	37	**12,143**	257,445
Due to non-controlling shareholders of subsidiaries	37	**25,899**	27,552
Due to associates	18	**64,646**	8,188
Tax payable		**44,920**	250,750
Total current liabilities		**45,648,182**	37,228,779

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
NET CURRENT ASSETS		**4,443,264**	6,929,141
TOTAL ASSETS LESS CURRENT LIABILITIES		**37,121,102**	37,375,655
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	26	**1,922,516**	5,755,039
Convertible bonds	27	**1,234,718**	–
Due to non-controlling shareholders of subsidiaries	37	**210,467**	207,693
Deferred income		**777,883**	723,666
Deferred tax liabilities	28	**243,062**	205,248
Total non-current liabilities		**4,388,646**	6,891,646
Net assets		**32,732,456**	30,484,009
EQUITY			
Equity attributable to owners of the Company			
Issued capital	29	**524,988**	524,988
Reserves	31(a)	**28,242,470**	26,346,245
Proposed final dividend	12	**215,245**	183,746
		28,982,703	27,054,979
Non-controlling interests		**3,749,753**	3,429,030
Total equity		**32,732,456**	30,484,009

Yu Xubo
Director

Yue Guojun
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2013

	Notes	Attributable to owners of the Company											
		Issued capital HK$'000	Share premium HK$'000	Capital reserve HK$'000	Equity component of convertible bonds HK$'000	Employee share-based compensation reserve HK$'000	Reserve funds HK$'000	Exchange fluctuation reserve HK$'000	Retained profits HK$'000	Proposed final dividend HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
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 year		–	–	–	–	–	–	1,225	1,227,523	–	1,228,748	183,560	1,412,308
Transfer from retained profits		–	–	–	–	–	180,081	–	(180,081)	–	–	–	–
Contribution from non-controlling shareholders		–	–	2,127	–	–	–	–	–	–	2,127	110,639	112,766
Acquisition of a subsidiary	32	–	–	–	–	–	–	–	–	–	–	10,153	10,153
Acquisition of non-controlling interests		–	–	(1,853)	–	–	–	–	–	–	(1,853)	(13,477)	(15,330)
Issue of shares	29	121,151	3,985,871	–	–	–	–	–	–	–	4,107,022	–	4,107,022
Share issue expenses	29	–	(14,351)	–	–	–	–	–	–	–	(14,351)	–	(14,351)
Equity-settled share option arrangements	30	–	–	–	–	48,180	–	–	–	–	48,180	–	48,180
Dividends paid to non-controlling shareholders of subsidiaries		–	–	–	–	–	–	–	–	–	–	(8,117)	(8,117)
Final 2011 dividend declared		–	–	–	–	–	–	–	–	(153,458)	(153,458)	–	(153,458)
Interim 2012 dividend declared	12	–	–	–	–	–	–	–	(125,189)	–	(125,189)	–	(125,189)
Proposed final 2012 dividend	12	–	–	–	–	–	–	–	(183,746)	183,746	–	–	–
At 31 December 2012		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

	Notes	**Attributable to owners of the Company**											
		Issued capital HK$'000	**Share premium HK$'000**	**Capital reserve HK$'000**	**Equity component of convertible bonds HK$'000**	**Employee share-based compensation reserve HK$'000**	**Reserve funds HK$'000**	**Exchange fluctuation reserve HK$'000**	**Retained profits HK$'000**	**Proposed final dividend HK$'000**	**Total HK$'000**	**Non-controlling interests HK$'000**	**Total equity HK$'000**
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 year		**-**	**-**	**-**	**-**	**-**	**-**	**745,800**	**1,521,319**	**-**	**2,267,119**	**360,439**	**2,627,558**
Transfer from retained profits		**-**	**-**	**-**	**-**	**-**	**107,029**	**-**	**(107,029)**	**-**	**-**	**-**	**-**
Acquisition of non-controlling interests		**-**	**-**	**1,677**	**-**	**-**	**-**	**-**	**-**	**-**	**1,677**	**856**	**2,533**
Equity-settled share option arrangements	30	**-**	**-**	**-**	**-**	**37,878**	**-**	**-**	**-**	**-**	**37,878**	**-**	**37,878**
Redemption of convertible bonds	27	**-**	**-**	**-**	**(32,458)**	**-**	**-**	**-**	**-**	**-**	**(32,458)**	**-**	**(32,458)**
Dividends paid to non-controlling shareholders of subsidiaries		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(40,572)**	**(40,572)**
Final 2012 dividend declared	12	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(183,746)**	**(183,746)**	**-**	**(183,746)**
Interim 2013 dividend declared	12	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(162,746)**	**-**	**(162,746)**	**-**	**(162,746)**
Proposed final 2013 dividend	12	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(215,245)**	**215,245**	**-**	**-**	**-**
At 31 December 2013		**524,988**	**9,246,676***	**4,748,958***	**19,281***	**164,023***	**1,161,284***	**3,414,846***	**9,487,402***	**215,245**	**28,982,703**	**3,749,753**	**32,732,456**

* These reserve accounts comprise the consolidated reserves of HK$28,242,470,000 (31 December 2012: HK$26,346,245,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**2,180,294**	1,610,115
Adjustments for:			
Finance costs	7	**594,429**	883,683
Write-down of inventories to net realisable value	6	**565,597**	752,280
Provision for loss on non-cancellable purchase commitments	6	**882,298**	1,019,698
Impairment/(reversal of impairment) of receivables	6	**(831)**	491
Depreciation and amortisation	6	**1,364,517**	1,200,483
Gain on disposal of land premiums		**(67)**	–
Losses/(gains) on disposal of items of property, plant and equipment	6	**1,830**	(4,084)
Impairment of items of property, plant and equipment	6	**1,319**	–
Recognition of prepaid land premiums	6	**64,135**	59,584
Share of profits of associates		**(184,102)**	(23,725)
Interest income	5	**(434,710)**	(241,038)
Unrealised gains on derivative financial instruments		**(514,935)**	(208,106)
Unrealised gains on foreign currency forward contracts		**(4,418)**	(1,467)
Gain on bargain purchase	5	**–**	(3,186)
Government grants	5	**(374,998)**	(615,566)
Loss on redemption of convertible bonds		**7,386**	–
Equity-settled share option expense	30	**37,878**	48,180
		4,185,622	4,477,342
Decrease/(increase) in inventories		**1,230,119**	(1,107,677)
Decrease in accounts and bills receivables		**34,054**	1,610,951
Decrease in prepayments, deposits and other receivables		**820,402**	346,130
Increase in amounts due from fellow subsidiaries		**(1,066,556)**	(597,980)
Decrease/(increase) in amounts due from associates		**4,020**	(355,746)
Decrease/(increase) in amounts due from related companies		**(297,985)**	137,697
Decrease in derivative financial instruments and other financial products		**207,761**	502,339
Decrease/(increase) in an amount due from the ultimate holding company		**(9,076)**	4,959
Decrease in amounts due from non-controlling shareholders of subsidiaries		**25,720**	91,743
Increase/(decrease) in accounts and bills payables		**1,332,612**	(201,951)
Decrease in other payables and accruals		**(1,618,627)**	(1,154,294)
Increase/(decrease) in amounts due to fellow subsidiaries		**445,280**	(148,842)

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

Year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
Increase/(decrease) in an amount due to the ultimate holding company		**(118)**	3,553
Increase/(decrease) in amounts due to related companies		**(249,458)**	257,405
Increase/(decrease) in amounts due to associates		**55,335**	(1,536)
Government grants received		**314,657**	424,828
Cash generated from operations		**5,413,762**	4,288,921
Interest received		**434,710**	241,038
Interest paid		**(601,233)**	(808,914)
Income tax paid		**(773,981)**	(474,726)
Net cash flows from operating activities		**4,473,258**	3,246,319
CASH FLOWS FROM INVESTING ACTIVITIES			
Decrease/(increase) in pledged deposits		**21,390**	(7,659)
Acquisition of subsidiaries	32	**–**	(119,026)
Dividends from associates		**63,434**	31,994
Acquisition of non-controlling interests		**2,533**	(15,330)
Proceeds from disposal of items of property, plant and equipment and intangible assets		**79,863**	47,547
Purchases of items of property, plant and equipment		**(3,174,773)**	(4,514,972)
Additions to prepaid land premiums	15	**(123,486)**	(396,768)
Receipt of government grants		**59,684**	213,570
Additions to intangible assets	20	**(6,721)**	(6,702)
Increase in loans to a fellow subsidiary		**(891,294)**	–
Decrease in loans to associates		**12,063**	–
Investment in bank wealth management products		**(369,454)**	(1,276,527)
Net cash flows used in investing activities		**(4,326,761)**	(6,043,873)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		**74,153,590**	86,564,557
New other loans		**4,368,176**	2,880,888
Repayments of bank loans		**(68,482,977)**	(89,320,855)
Repayments of other loans		**(6,456,044)**	(990,404)
Capital contribution from non-controlling shareholders		**–**	112,766
Loans from ultimate holding shareholders		**767,075**	–
Dividends paid		**(548,806)**	(250,898)
Dividends paid to non-controlling shareholders of subsidiaries		**(43,002)**	(11,743)
Redemption of convertible bonds		**(2,750,582)**	–

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

Year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
Share issue expenses		**–**	(14,351)
Proceeds from issue of shares		**–**	4,107,022
Increase in cash from discounting bank Letter of Credit		**3,070,074**	–
Interest paid		**(45,849)**	(71,858)
Net cash flows from financing activities		**4,031,655**	3,005,124
NET INCREASE IN CASH AND CASH EQUIVALENTS		**4,178,152**	207,570
Cash and cash equivalents at beginning of year		**9,387,222**	9,175,653
Effect of foreign exchange rate changes, net		**378,350**	3,999
CASH AND CASH EQUIVALENTS AT END OF YEAR		**13,943,724**	9,387,222
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	24	**10,099,650**	5,855,998
Non-pledged time deposits with original maturity of less than three months when acquired	24	**810,611**	1,866,305
Bank wealth management products	24	**3,033,463**	1,664,919
		13,943,724	9,387,222

STATEMENT OF FINANCIAL POSITION

31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**33**	–
Investments in subsidiaries	17	**18,642,590**	18,346,112
Total non-current assets		**18,642,623**	18,346,112
CURRENT ASSETS			
Due from subsidiaries	17	**1,780,634**	5,914,957
Prepayments, deposits and other receivables		**1,550**	9,490
Cash and cash equivalents	24	**1,169,180**	3,109,803
Total current assets		**2,951,364**	9,034,250
CURRENT LIABILITIES			
Other payables and accruals		**48,878**	234,007
Interest-bearing bank and other borrowings	26	**1,058,324**	–
Due to an intermediate holding company	37	**1,071**	45,729
Due to subsidiaries	17	**926,707**	3,716,279
Total current liabilities		**2,034,980**	3,996,015
NET CURRENT ASSETS		**916,384**	5,038,235
TOTAL ASSETS LESS CURRENT LIABILITIES		**19,559,007**	23,384,347
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	26	**955,500**	4,580,032
Total non-current liabilities		**955,500**	4,580,032
Net assets		**18,603,507**	18,804,315
EQUITY			
Issued capital	29	**524,988**	524,988
Reserves	31(b)	**17,863,274**	18,095,581
Proposed final dividend	12	**215,245**	183,746
Total equity		**18,603,507**	18,804,315

Yu Xubo
Director

Yue Guojun
Director

NOTES TO THE FINANCIAL STATEMENTS

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

- oilseeds processing;
- production and sale of 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").

2.1 Basis of Preparation

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2013. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

2.1 Basis of Preparation (continued)

Basis of consolidation (continued)

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group losses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 Changes in Accounting Policies and Disclosures

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

HKFRS 1 *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*
HKAS 36 Amendments	Amendments to HKAS 36 *Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets* (early adopted)
Annual Improvements 2009–2011 Cycle	Amendments to a number of HKFRSs issued in June 2012

Other than as further explained below regarding the impact of HKFRS 10, HKFRS 12, HKFRS 13, HKAS 19 (2011) and HKAS 1 Amendments, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2013

2.2 Changes in Accounting Policies and Disclosures (continued)

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) HKFRS 10 replaces the portion of HKAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements and addresses the issues in HK(SIC)-Int 12 *Consolidation – Special Purpose Entities*. It establishes a single control model used for determining which entities are consolidated. To meet the definition of control in HKFRS 10, an investor must have (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. The changes introduced by HKFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled.

As a result of the application of HKFRS 10, the Group has changed the accounting policy with respect to determining which investees are controlled by the Group. The application of HKFRS 10 does not change any of the consolidation conclusions of the Group in respect of its involvement with investees as at 1 January 2013.

(b) HKFRS 12 sets out the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities previously included in HKAS 27 *Consolidated and Separate Financial Statements*, HKAS 31 *Interests in Joint Ventures* and HKAS 28 *Investments in Associates*. It also introduces a number of new disclosure requirements for these entities. Details of the disclosures for subsidiaries and associates are included in notes 17 and 18 to the financial statements.

(c) HKFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but rather provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. HKFRS 13 is applied prospectively and the adoption has had no material impact on the Group's fair value measurements. As a result of the guidance in HKFRS 13, the policies for measuring fair value have been amended. Additional disclosures required by HKFRS 13 for the fair value measurements of financial instruments are included in note 41 to the financial statements.

(d) The HKAS 1 Amendments change the grouping of items presented in other comprehensive income ("OCI"). Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) are presented separately from items which will never be reclassified (for example, the revaluation of land and buildings). The amendments have affected the presentation only and have had no impact on the financial position or performance of the Group. In addition, the Group has chosen to use the new title "statement of profit or loss" as introduced by the amendments in these financial statements.

2.2 Changes in Accounting Policies and Disclosures (continued)

(e) HKAS 19 (2011) includes a number of amendments that range from fundamental changes to simple clarifications and re-wording. The revised standard introduces significant changes in the accounting for defined benefit pension plans including removing the choice to defer the recognition of actuarial gains and losses. Other changes include modifications to the timing of recognition for termination benefits, the classification of short-term employee benefits and disclosures of defined benefit plans. As the Group does not have any defined benefit plan or employee termination plan and the Group does not have any significant employee benefits that are expected to be settled for more than twelve months after the reporting period, the adoption of the revised standard has had no effect on the financial position or performance of the Group.

2.3 Issued But Not Yet Effective Hong Kong Financial Reporting Standards

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

HKFRS 9	*Financial Instruments*[4]
HKFRS 9, HKFRS 7 and HKAS 39 Amendments	*Hedge Accounting and amendments to HKFRS 9, HKFRS 7 and HKAS 39*[4]
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – *Investment Entities*[1]
HKAS 14 Amendments	*Regulatory Deferral Accounts*[3]
HKAS 19 Amendments	Amendments to HKAS 19 *Employee Benefits – Defined Benefit Plans: Employee Contributions*[2]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*[1]
HKAS 39 Amendments	Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting*[1]
HK (IFRIC)-Int 21	*Levies*[1]
Annual Improvements 2010-2012 Cycle	Amendments to a number of HKFRSs issued in January 2014[2]
Annual Improvements 2011-2013 Cycle	Amendments to a number of HKFRSs issued in January 2014[2]

1 Effective for annual periods beginning on or after 1 January 2014

2 Effective for annual periods beginning on or after 1 July 2014

3 Effective for annual periods beginning on or after 1 January 2016

4 No mandatory effective date yet determined but is available for adoption

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2013

2.3 Issued But Not Yet Effective Hong Kong Financial Reporting Standards (continued)

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

HKFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace HKAS 39 *Financial Instruments: Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of HKAS 39.

In November 2010, the HKICPA issued additions to HKFRS 9 to address financial liabilities (the "Additions") and incorporated in HKFRS 9 the current derecognition principles of financial instruments of HKAS 39. Most of the Additions were carried forward unchanged from HKAS 39, while changes were made to the measurement of financial liabilities designated as at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

In December 2013, the HKICPA added to HKFRS 9 the requirements related to hedge accounting and made some related changes to HKAS 39 and HKFRS 7 which include the corresponding disclosures about risk management activity for applying hedge accounting. The amendments to HKFRS 9 relax the requirements for assessing hedge effectiveness which result in more risk management strategies being eligible for hedge accounting. The amendments also allow greater flexibility on the hedged items and relax the rules on using purchased options and non-derivative financial instruments as hedging instruments. In addition, the amendments to HKFRS 9 allow an entity to apply only the improved accounting for own credit risk-related fair value gains and losses arising on FVO liabilities as introduced in 2010 without applying the other HKFRS 9 requirements at the same time.

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on impairment of financial assets continues to apply. The previous mandatory effective date of HKFRS 9 was removed by the HKICPA in December 2013 and a mandatory effective date will be determined after the entire replacement of HKAS 39 is completed. However, the standard is available for application now. The Group will quantify the effect in conjunction with other phases, when the final standard including all phases is issued.

Amendments to HKFRS 10 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss in accordance with HKFRS 9 rather than consolidate them. Consequential amendments were made to HKFRS 12 and HKAS 27 (2011). The amendments to HKFRS 12 also set out the disclosure requirements for investment entities. The Group expects that these amendments will not have any impact on the Group as the Company is not an investment entity as defined in HKFRS 10.

2.3 Issued But Not Yet Effective Hong Kong Financial Reporting Standards (continued)

The HKAS 32 Amendments clarify the meaning of "currently has a legally enforceable right to set off" for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in HKAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2014.

2.4 Summary of Significant Accounting Policies

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The results of subsidiaries are included in the Company's statement of profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with HKFRS 5 are stated at cost less any impairment losses.

Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2013

2.4 Summary of Significant Accounting Policies (continued)

Investments in associates and joint ventures (continued)

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

The results of associates and joint ventures are included in the Company's statement of profit or loss to the extent of dividends received and receivable. The Company's investments in associates and joint ventures are treated as non-current assets and are stated at cost less any impairment losses.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to proportionate a share of net assets in the event of liquidation either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

2.4 Summary of Significant Accounting Policies (continued)

Business combinations and goodwill (continued)

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of HKAS 39 is measured at fair value with changes in fair value either recognised in profit or loss or as a change to the other comprehensive income. If the contingent consideration is not within the scope of HKAS 39, it is measured in accordance with the appropriate HKFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

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

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

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the disposed operation and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its derivative financial instruments and equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2013

2.4 Summary of Significant Accounting Policies (continued)

Fair value measurement (continued)

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

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

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

2.4 Summary of Significant Accounting Policies (continued)

Impairment of non-financial assets (continued)

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

Related parties

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

(a) the party is a person or a close member of that person's family and that person

  (i) has control or joint control over the Group;

  (ii) has significant influence over the Group; or

  (iii) is a member of the key management personnel of the Group or of a parent of the Group;

  or

(b) the party is an entity where any of the following conditions applies:

  (i) the entity and the Group are members of the same group;

  (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

  (iii) the entity and the Group are joint ventures of the same third party;

  (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

  (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

  (vi) the entity is controlled or jointly controlled by a person identified in (a); and

  (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2013

2.4 Summary of Significant Accounting Policies (continued)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost (or valuation) less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the assets to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

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

Buildings	3%
Machinery and equipment	4.5%–18%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

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

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

Intangible assets (other than goodwill)

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

2.4 Summary of Significant Accounting Policies (continued)

Intangible assets (other than goodwill) (continued)

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

Leases

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

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

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

Subsequent measurement

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39.

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2013

2.4 Summary of Significant Accounting Policies (continued)

Investments and other financial assets (continued)

Financial assets at fair value through profit or loss (continued)

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive net changes in fair value presented as other income and gains and negative net change in fair value presented as finance costs in the statement of profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

Loans and receivables

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

Available-for-sale financial investments

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

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

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

2.4 Summary of Significant Accounting Policies (continued)

Investments and other financial assets (continued)

Available-for-sale financial investments (continued)

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

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

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

Impairment of financial assets

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

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2.4 Summary of Significant Accounting Policies (continued)

Impairment of financial assets (continued)

Financial assets carried at amortised cost

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

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

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

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

Assets carried at cost

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

2.4 Summary of Significant Accounting Policies (continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

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

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

Loans and borrowings

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2013

2.4 Summary of Significant Accounting Policies (continued)

Financial liabilities (continued)

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

Convertible bonds

The component of convertible bonds that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs. On issuance of convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

2.4 Summary of Significant Accounting Policies (continued)

Derivative financial instruments

Initial recognition and subsequent measurement

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

The fair value of commodity purchase contracts that meet the definition of a derivative as defined by HKAS 39 is recognised in the statement of profit or loss in cost of sales. Commodity contracts that are entered into and continue to be held for the purpose of the receipt or delivery of a non-financial item in accordance with the Group's expected purchase, sale or usage requirements are held at cost.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss.

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

Inventories

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

Cash and cash equivalents

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

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand, cash at banks, including term deposits, which are not restricted as to use, and bank wealth management products, which are classified as cash equivalents by the directors of the Company.

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2013

2.4 Summary of Significant Accounting Policies (continued)

Provisions

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

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

An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfill it. If an entity has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision. Provision on the onerous contracts is recognised in the consolidated statement of profit or loss accordingly.

Income tax

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

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

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

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

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2.4 Summary of Significant Accounting Policies (continued)

Income tax (continued)

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

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2013

2.4 Summary of Significant Accounting Policies (continued)

Revenue recognition

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

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

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

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

(d) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset;

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

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

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

Employee benefits

Share-based payments

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

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by the Group using the Black-Scholes-Merton option pricing model, further details of which are given in note 30 to the financial statements.

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

2.4 Summary of Significant Accounting Policies (continued)

Employee benefits (continued)

Share-based payments (continued)

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

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

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

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

Pension scheme and other retirement benefits

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2013

2.4 Summary of Significant Accounting Policies (continued)

Borrowing costs

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

Dividends

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

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

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation differences on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

2.4 Summary of Significant Accounting Policies (continued)

Foreign currencies (continued)

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

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

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

3. Significant Accounting Judgements and Estimates

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

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which has the most significant effect on the amounts recognised in the financial statements:

Additional Corporate Income Tax arising from the distribution of dividends

The Group's determination as to whether to accrue additional tax liabilities arising from the distributions of dividends from certain subsidiaries incorporated outside Mainland China, which are regarded as non-Chinese resident enterprises, to its holding companies, which are regarded as Chinese resident enterprise, is subject to the timing of the payment of the dividends and the additional tax liabilities that would be payable according to the relevant tax jurisdictions. Based on the aforesaid tax jurisdictions and the dividend distribution plan of such non-Chinese resident enterprises incorporated outside Mainland China, management recognised deferred tax liability of HK$81,437,000 based on the dividend distribution plan in current year.

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2013

3. Significant Accounting Judgements and Estimates (continued)

Judgements (continued)

Classification of bank wealth management products as cash and cash equivalents

The Group determines whether a bank wealth management product qualifies as cash and cash equivalents, and has developed criteria in making that judgement. Cash and cash equivalents comprise short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, and form an integral part of the Group's cash management. Therefore, the Group considers whether a bank wealth management product qualifies as a cash equivalent, it must have a short maturity of generally within three months when acquired, be readily convertible to a known amount of cash and be subject to an insignificant risk of changes in value. Judgement is made on an individual bank wealth management product basis. As at 31 December 2013, bank wealth management products of HK$3,033,463,000 (2012: HK$1,664,919,000) were classified as cash and cash equivalents in the consolidated statement of financial position and consolidated statement of cash flows. These bank wealth management products had original maturity of generally within three months are readily convertible to known amounts, and are subject to insignificant risks of changes in value. Further details are given in note 24 to the financial statements.

Estimation uncertainty

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

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2013 was HK$1,079,869,000 (2012: HK$1,076,038,000). Further details are given in note 16 to the financial statements.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses at 31 December 2013 was HK$306,112,000 (2012: HK$215,010,000). The amount of unrecognised tax losses at 31 December 2013 was HK$1,294,776,000 (2012: HK$827,753,000). Further details are given in note 28 to the financial statements.

3. Significant Accounting Judgements and Estimates (continued)

Estimation uncertainty (continued)

Impairment of property, plant and equipment

The carrying value of property, plant and equipment is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable in accordance with the accounting policies as disclosed in the relevant parts in note 2.4 to the financial statements. The recoverable amount of the property, plant and equipment is the greater of the fair value less costs to sell and value in use, the calculations of which involve the use of estimates. Net impairment of property, plant and equipment of HK$1,319,000 was recognised in the consolidated statement of profit or loss for the year (2012: Nil). The carrying amount of property, plant and equipment as at 31 December 2013 was HK$25,202,383,000 (2012: HK$23,205,892,000).

Impairment of receivables

Impairment of receivables is made based on an assessment of the recoverability of accounts and other receivables and the timing of their recovery. The identification of impairment of receivables requires management judgement and estimation. Where the actual outcome or expectation in future is different from the original estimates, such differences will impact on the carrying values of accounts and other receivables and the amount of impairment/write-back of impairment in the periods in which such estimates have been changed. Net reversal of impairment of receivables of HK$831,000 (2012: net impairment of receivables of HK$491,000) was recognised in the consolidated statement of profit or loss for the year. The aggregate carrying amount of accounts and bills receivables, and prepayments, deposits and other receivables as at 31 December 2013 was HK$8,419,827,000 (2012: HK$9,051,320,000).

Impairment of inventories

Impairment of inventories is made based on the assessment of net realisable value. Estimates of net realisable value are based on the most reliable evidence available at the time the estimates are made, of the amount the inventories are expected to realise. These estimates take into consideration fluctuations of price or cost directly relating to events occurring after the end of the reporting period to the extent that such events confirm conditions existing at the end of the reporting period. Significant management estimates are required in the estimates. Where the actual outcome or expectation in future is different from the original estimates, the differences will impact on the carrying values of inventories and the amount of impairment/write-back of impairment in the periods in which the estimates have been changed. Impairment of inventories of HK$565,597,000 (2012: HK$752,280,000) was recognised in the consolidated statement of profit or loss for the year. The aggregate carrying amount of inventories as at 31 December 2013 was HK$18,304,422,000 (2012: HK$19,517,095,000).

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2013

3. Significant Accounting Judgements and Estimates (continued)

Estimation uncertainty (continued)

Provision on onerous contracts

Provision on onerous contracts is recognised based on the estimates of the unavoidable costs of meeting the obligation under the contracts and the economic benefits expected to be received under them. Significant management estimates are required in the estimates. Where the actual outcome or expectation in future is different from the original estimates, these differences will impact on the provision and the profit or loss in the periods in which these estimates have been changed. Provision on onerous contracts of HK$882,298,000 (2012: HK$1,019,698,000) was recognised in the consolidated statement of profit or loss for the year.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculation of the fair value less costs to sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

4. Operating Segment Information

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

(a) the oilseeds processing segment engages in the extraction, refining and trading of edible oil and related 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 investments 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 year, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue (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 FINANCIAL STATEMENTS (continued)

31 December 2013

4. Operating Segment Information (continued)

Year ended 31 December 2013

	Oilseeds processing HK$'000	Biochemical and biofuel HK$'000	Rice processing and trading HK$'000	Wheat processing HK$'000	Brewing materials HK$'000	Corporate and others HK$'000	Eliminations HK$'000	Total HK$'000
Segment revenue:								
Sales to external customers	57,535,686	15,514,106	7,744,872	8,560,199	2,170,064	3,018,095	–	94,543,022
Intersegment sales	328,778	259,778	4,559	14,864	–	41,907	(649,886)	–
Other revenue	1,108,345	311,117	80,286	57,798	67,179	187,416	(152,574)	1,659,567
Segment results	1,459,522	717,372	(154,516)	111,597	224,019	(74,441)	(127,642)	2,155,911
Interest income								434,710
Finance costs								(594,429)
Share of profits of associates								184,102
Profit before tax								2,180,294
Income tax expense								(408,447)
Profit for the year								1,771,847
Assets and liabilities								
Segment assets	34,016,104	14,973,021	7,400,228	4,999,245	3,028,661	15,732,293	(14,744,547)	65,405,005
Corporate and other unallocated assets								17,364,279
Total assets								82,769,284
Segment liabilities	16,696,790	5,754,670	3,953,346	2,265,467	813,558	1,613,817	(14,744,547)	16,353,101
Corporate and other unallocated liabilities								33,683,727
Total liabilities								50,036,828
Other segment information:								
Depreciation and amortisation#	573,641	486,299	140,111	91,590	93,569	43,442	–	1,428,652
Impairment losses recognised/(reversed) in the consolidated statement of profit or loss	1,924	(1,436)	–	–	–	–	–	488
Capital expenditure*	862,033	1,025,860	433,013	147,577	16,178	334,415	–	2,819,076

4. Operating Segment Information (continued)

Year ended 31 December 2012

	Oilseeds processing HK$'000	Biochemical and biofuel HK$'000	Rice processing and trading HK$'000	Wheat processing HK$'000	Brewing materials HK$'000	Corporate and others HK$'000	Eliminations HK$'000	Total HK$'000
Segment revenue:								
Sales to external customers	56,585,760	15,117,031	8,875,629	5,875,952	2,551,491	2,313,323	–	91,319,186
Intersegment sales	102,093	67,477	287	7,159	–	–	(177,016)	–
Other revenue	306,994	546,725	81,659	81,079	19,884	41,010	(74,823)	1,002,528
Segment results	1,453,417	710,813	(245,497)	180,280	279,101	(133,282)	(18,983)	2,225,849
Interest income								241,038
Gain on bargain purchase								3,186
Finance costs								(883,683)
Share of profits of associates								23,725
Profit before tax								1,610,115
Income tax expense								(198,420)
Profit for the year								1,411,695
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
Corporate and other 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
Corporate and other unallocated liabilities								32,661,176
Total liabilities								44,120,425
Other segment information:								
Depreciation and amortisation#	505,326	460,565	101,346	64,877	107,678	20,275	–	1,260,067
Impairment losses recognised/(reversed) in the consolidated statement of profit or loss	(4,342)	4,660	218	(45)	–	–	–	491
Capital expenditure*	1,128,126	1,747,405	985,407	790,532	11,806	355,907	–	5,019,183

\# Depreciation and amortisation consists of depreciation of property, plant and equipment, recognition of prepaid land premiums and amortisation of intangible assets.

* Capital expenditure consists of additions to property, plant and equipment, prepaid land premiums and intangible assets including assets from the acquisition of subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2013

5. Revenue, Other Income and Gains

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

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

	Notes	2013 HK$'000	2012 HK$'000
Other income			
Interest income		**434,710**	241,038
Government grants*		**374,998**	615,566
Compensation income		**2,581**	783
Tax refunds		**28,093**	82,234
Others		**84,078**	39,056
		924,460	978,677
Gains			
Gains on disposal of raw materials, by-products and scrap items		**46,330**	95,891
Gains on disposal of items of property, plant and equipment		**–**	4,084
Logistics service and storage income		**44,853**	55,102
Realised and unrealised fair value gains on foreign currency forward contracts, net	23	**6,638**	3,570
Gains on foreign exchange, net		**1,071,863**	106,147
Gain on bargain purchase	32	**–**	3,186
Others		**133**	95
		1,169,817	268,075
		2,094,277	1,246,752

* 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, Zhaodong Bio-Energy and Guangxi Bio-Energy (as defined in note 38 to the financial statements) are entitled to a financial grant based on the quantity of fuel ethanol produced and sold. An amount of HK$124,026,000 (2012: HK$229,046,000) has been included in the government grants for the year. 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.

6. Profit Before Tax

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

	Notes	2013 HK$'000	2012 HK$'000
Cost of inventories sold or services provided		**89,586,098**	84,724,321
Write-down of inventories to net realisable value		**565,597**	752,280
Provision for loss on non-cancellable purchase commitments*		**882,298**	1,019,698
Realised and unrealised fair value gains of commodity futures contracts, net	23	**(2,137,977)**	(1,041,562)
Cost of sales		**88,896,016**	85,454,737
Auditors' remuneration		**4,991**	5,035
Depreciation	14	**1,362,051**	1,198,212
Amortisation of intangible assets	20	**2,466**	2,271
Minimum lease payments under operating leases in respect of land and buildings		**66,824**	82,409
Recognition of prepaid land premiums	15	**64,135**	59,584
Employee benefit expenses (excluding directors' and chief executive's remuneration in note 8):			
Wages and salaries		**1,870,844**	1,553,497
Pension scheme contributions**		**205,183**	168,732
Equity-settled share option expenses		**34,400**	44,348
		2,110,427	1,766,577
Losses/(gains) on disposal of items of property, plant and equipment		**1,830**	(4,084)
Impairment of accounts receivable	22	**1,491**	553
Impairment of items of property, plant and equipment	14	**1,319**	–
Reversal of impairment of other receivables		**(2,322)**	(62)

* It is the Group's usual practice to enter into purchase commitments of raw materials with delivery of raw materials at a specified future date. As at 31 December 2013, the Group had certain non-cancellable purchase commitments of raw materials (the "Purchase Contracts") on which the Group expects that the unavoidable costs of meeting obligations under the Purchase Contracts will exceed the economic benefits expected to be received from the Purchase Contracts. The expected loss arising from the aforesaid Purchase Contracts of HK$882,298,000 (2012: HK$1,019,698,000) 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 consolidated statement of profit or loss for the year ended 31 December 2013. The directors of the Company consider that these losses are resulted from the Group's ordinary course of business.

** At 31 December 2013, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2012: Nil).

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2013

7. Finance Costs

An analysis of finance costs is as follows:

	Group	
	2013	**2012**
	HK$'000	**HK$'000**
Interest on:		
Bank loans wholly repayable within five years	**394,400**	703,570
Bank loans wholly repayable over five years	**32,627**	23,109
Loans from fellow subsidiaries wholly repayable within five years	**62,461**	19,751
Loan from the ultimate holding company wholly repayable within five years	**26,276**	13,184
Loan from an intermediate holding company wholly repayable within five years	**49,251**	91,657
Convertible bonds	**75,263**	104,270
Total interest expenses on financial liabilities not at fair value through profit or loss	**640,278**	955,541
Less: Interest capitalised	**(45,849)**	(71,858)
	594,429	883,683

8. Directors' and Chief Executive's Remuneration

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

	Group	
	2013	**2012**
	HK$'000	**HK$'000**
Fees:		
Independent non-executive directors	**1,170**	1,155
Executive directors and non-executive directors	**473**	400
	1,643	1,555
Other emoluments:		
Salaries, allowances and benefits in kind	**6,857**	3,455
Discretionary bonuses	**1,426**	2,303
Equity-settled share option expenses	**3,478**	3,832
Pension scheme contributions	**254**	249
	12,015	9,839
	13,658	11,394

8. Directors' and Chief Executive's Remuneration (continued)

In prior years, certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 30 to the financial statements. The fair value of the share options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amounts included in the financial statements for the current and prior years are included in the above directors' and chief executive's remuneration disclosures.

(a) Independent non-executive directors

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

	2013 HK$'000	2012 HK$'000
Mr. Lam Wai Hon, Ambrose	**390**	385
Mr. Victor Yang	**390**	385
Mr. Patrick Vincent Vizzone	**390**	385
	1,170	1,155

There were no other emoluments payable to the independent non-executive directors during the year (2012: Nil).

(b) Executive directors, non-executive directors and chief executive

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Equity-settled share option expense HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2013						
Executive directors:						
Mr. Yu Xubo	–	2,599	–	538	70	3,207
Mr. Lv Jun#*	–	2,041	–	490	94	2,625
Mr. Yue Guojun*	73	1,365	845	494	45	2,822
Mr. Shi Bo^	–	852	581	447	45	1,925
	73	6,857	1,426	1,969	254	10,579
Non-executive directors:						
Mr. Ning Gaoning	200	–	–	538	–	738
Mr. Ma Wangjun	100	–	–	492	–	592
Mr. Wang Zhiying	100	–	–	479	–	579
	400	–	–	1,509	–	1,909
	473	6,857	1,426	3,478	254	12,488

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2013

8. Directors' and Chief Executive's Remuneration (continued)

(b) Executive directors, non-executive directors and chief executive (continued)

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Equity-settled share option expense HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2012						
Executive directors:						
Mr. Yu Xubo#	–	1,200	800	679	42	2,721
Mr. Lv Jun#	–	960	640	622	42	2,264
Mr. Yue Guojun*	–	1,295	863	622	42	2,822
	–	3,455	2,303	1,923	126	7,807
Non-executive directors:						
Mr. Ning Gaoning	200	–	–	679	41	920
Mr. Ma Wangjun	100	–	–	622	41	763
Mr. Wang Zhiying	100	–	–	608	41	749
	400	–	–	1,909	123	2,432
	400	3,455	2,303	3,832	249	10,239

There was no arrangement under which a director or a chief executive waived or agreed to waive any remuneration during the year (2012: Nil).

Mr. Lv Jun was considered by the board of directors as the chief executive of the Company with effect from 28 March 2012. Prior to that, the chief executive of the Company was Mr. Yu Xubo.

* Mr. Yue Guojun was re-designated from executive director to non-executive director with effect from 22 January 2013. With effect from 14 October 2013, Mr. Lv Jun resigned as an executive director of the Company, Mr. Yue Guojun, previously the non-executive director of the Company, was re-designated as an executive director of the Company. The Chairman of the Executive Committee of the Company was changed from Mr. Lv Jun to Mr. Yue Guojun. Mr. Yue Guojun is considered by the board of directors as the chief executive of the Company with effect from 14 October 2013.

^ Mr. Shi Bo was appointed as an executive director of the Company and a member of the Executive Committee with effect from 14 October 2013.

9. Five Highest Paid Employees

The five highest paid employees during the year included four (2012: three) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining one (2012: two) highest paid employee who is neither a director nor chief executive of the Company are as follows:

	Group	
	2013	**2012**
	HK$'000	**HK$'000**
Salaries, allowances and benefits in kind	**1,058**	1,924
Discretionary bonuses	**326**	1,283
Equity-settled share option expenses	**445**	1,102
Pension scheme contributions	**45**	83
	1,874	4,392

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

	Number of employees	
	2013	**2012**
HK$1,500,001 to HK$2,000,000	**1**	–
HK$2,000,001 to HK$2,500,000	**–**	2
	1	2

In prior years, share options were granted to the non-director and non-chief executive, highest paid employees in respect of their services to the Group, further details of which are included in the disclosures in note 30 to the financial statements. The fair value of the share options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amounts included in the financial statements for the current and prior years are included in the above non-director and non-chief executive, highest paid employees' remuneration disclosures.

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2013

10. Income Tax Expense

Hong Kong profits tax has been provided at the rate of 16.5% (2012: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates. 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 incorporated out of Mainland China are regarded as Chinese resident enterprises, and the relevant enterprise income tax policies of PRC are applicable to the Company and these subsidiaries commencing from 1 January 2013.

	2013 HK$'000	2012 HK$'000
Group:		
Current – Hong Kong		
Charge for the year	**171,827**	333,727
Current – Mainland China		
Charge for the year	**296,405**	226,306
Overprovision in prior years	**(3,713)**	(94,038)
Tax credits	**(17,993)**	(18,372)
Deferred tax (note 28)	**(38,079)**	(249,203)
Total tax charge for the year	**408,447**	198,420

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

Group – 2013

	Hong Kong		Mainland China		Total	
	HK$'000	%	HK$'000	%	HK$'000	%
Profit before tax	1,218,680		961,614		2,180,294	
Tax at the statutory tax rate	201,082	16.5	240,404	25.0	441,486	20.3
Profit not subject to tax due to concession*	–	–	(95,334)	(9.9)	(95,334)	(4.4)
Investment tax credit utilised during the year**	–	–	(17,993)	(1.9)	(17,993)	(0.8)
Profits attributable to associates	2,557	0.2	(49,900)	(5.2)	(47,343)	(2.2)
Income not subject to tax	(224)	–	(18,439)	(1.9)	(18,663)	(0.9)
Expenses not deductible for tax	49,720	4.1	43,910	4.6	93,630	4.3
Effect of corporate income tax liabilities on unremitted profits of subsidiaries	–	–	(56,943)	(5.9)	(56,943)	(2.6)
Adjustment in respect of current tax of previous periods	–	–	(3,713)	(0.4)	(3,713)	(0.2)
Tax losses utilised during the year	–	–	(56,868)	(5.9)	(56,868)	(2.6)
Tax losses not recognised	–	–	170,188	17.7	170,188	7.8
Tax charge at the Group's effective rate	253,135	20.8	155,312	16.2	408,447	18.7

10. Income Tax Expense (continued)

Group – 2012

	Hong Kong HK$'000	%	Mainland China HK$'000	%	Total HK$'000	%
Profit before tax	407,628		1,202,487		1,610,115	
Tax at the statutory tax rate	67,259	16.5	300,622	25.0	367,881	22.8
Profit not subject to tax due to concession*	–	–	(103,617)	(8.6)	(103,617)	(6.4)
Investment tax credit utilised during the year**	–	–	(18,372)	(1.5)	(18,372)	(1.1)
Profits attributable to associates	(1,397)	(0.3)	(3,815)	(0.3)	(5,212)	(0.3)
Income not subject to tax	(27,956)	(6.9)	(2,398)	(0.2)	(30,354)	(1.9)
Expenses not deductible for tax	65,379	16.0	118,568	9.9	183,947	11.4
Adjustment in respect of current tax of previous periods	–	–	(94,038)	(7.8)	(94,038)	(5.8)
Tax losses of previous periods recognised during the year	–	–	(20,971)	(1.7)	(20,971)	(1.3)
Tax losses utilised during the year	–	–	(161,454)	(13.4)	(161,454)	(10.0)
Tax losses not recognised	–	–	80,610	6.7	80,610	5.0
Tax charge at the Group's effective rate	103,285	25.3	95,135	7.9	198,420	12.3

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

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

The share of tax attributable to associates amounting to HK$97,910,000 (2012: HK$3,280,000) is included in "Share of profits of associates" in the consolidated statement of profit or loss.

11. Profit Attributable to Owners of the Company

The consolidated profit attributable to owners of the Company for the year ended 31 December 2013 includes a profit of HK$7,806,000 (2012: a loss of HK$57,746,000), which was arrived at after deducting dividend income received from a subsidiary of HK$100,000,000 from Company's net profit for the year of HK$107,806,000 (2012: net loss of HK$57,746,000), that has been dealt with in the financial statements of the Company (note 31(b)).

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2013

12. Dividends

	2013 HK$'000	2012 HK$'000
Interim – 3.1 HK cents (2012: 3.1 HK cents) per ordinary share	**162,746**	125,189
Proposed final – 4.1 HK cents (2012: 3.5 HK cents) per ordinary share	**215,245**	183,746
	377,991	308,935

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

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

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the Company, and the weighted average number of 5,249,880,788 ordinary shares (2012: 4,310,353,443 ordinary shares) in issue during the year.

The calculation of the diluted earnings per share amounts is based on the profit for the year 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 year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

For the year ended 31 December 2013, no adjustments in respect of 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 share options have an anti-dilutive effect on the basic earnings per share amount presented. For the year ended 31 December 2012, no adjustments in respect of convertible bonds had been made to the earnings and number of shares used in the basic earnings per share calculation due to that the outstanding convertible bonds had an anti-dilutive effect on the basic earnings per share amount presented.

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

	2013 HK$'000	2012 HK$'000
Earnings		
Profit attributable to ordinary equity holders of the Company used in the basic earnings per share calculation	**1,521,319**	1,227,523
Interest on convertible bonds (note 7)	**75,263**	–
Profit attributable to ordinary equity holders of the Company before interest on convertible bonds	**1,596,582**	1,227,523

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

	2013	2012
Number of shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**5,249,880,788**	4,310,353,443
Effect of dilution – weighted average number of ordinary shares:		
Share options	**–**	2,931,553
Convertible bonds	**270,055,758**	–
	5,519,936,546	4,313,284,996

14. Property, Plant and Equipment

Group

	Buildings HK$'000	Machinery and equipment HK$'000	Construction in progress HK$'000	Total HK$'000
31 December 2013				
At 31 December 2012 and at 1 January 2013:				
Cost	**11,503,951**	**13,766,926**	**4,581,855**	**29,852,732**
Accumulated depreciation and impairment	**(1,717,305)**	**(4,929,535)**	**–**	**(6,646,840)**
Net carrying amount	**9,786,646**	**8,837,391**	**4,581,855**	**23,205,892**
At 1 January 2013, net of accumulated depreciation and impairment	**9,786,646**	**8,837,391**	**4,581,855**	**23,205,892**
Additions	**87,054**	**243,780**	**2,358,035**	**2,688,869**
Disposals	**(18,678)**	**(44,073)**	**(12,068)**	**(74,819)**
Depreciation provided during the year (note 6)	**(423,472)**	**(938,579)**	**–**	**(1,362,051)**
Impairment (note 6)	**–**	**(1,319)**	**–**	**(1,319)**
Transfers	**2,980,897**	**2,382,332**	**(5,363,229)**	**–**
Exchange realignment	**346,635**	**302,574**	**96,602**	**745,811**
At 31 December 2013, net of accumulated depreciation and impairment	**12,759,082**	**10,782,106**	**1,661,195**	**25,202,383**
At 31 December 2013:				
Cost	**14,952,875**	**16,674,800**	**1,661,195**	**33,288,870**
Accumulated depreciation and impairment	**(2,193,793)**	**(5,892,694)**	**–**	**(8,086,487)**
Net carrying amount	**12,759,082**	**10,782,106**	**1,661,195**	**25,202,383**

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2013

14. Property, Plant and Equipment (continued)

Group

	Buildings HK$'000	Machinery and equipment HK$'000	Construction in progress HK$'000	Total HK$'000
31 December 2012				
At 1 January 2012:				
Cost	9,874,587	11,851,264	3,721,971	25,447,822
Accumulated depreciation and impairment	(1,434,363)	(4,135,791)	–	(5,570,154)
Net carrying amount	8,440,224	7,715,473	3,721,971	19,877,668
At 1 January 2012, net of accumulated depreciation and impairment	8,440,224	7,715,473	3,721,971	19,877,668
Additions	106,434	334,200	4,037,163	4,477,797
Acquisition of subsidiaries (note 32)	38,031	38,920	19,327	96,278
Disposals	(3,077)	(22,283)	(18,103)	(43,463)
Depreciation provided during the year (note 6)	(323,234)	(874,978)	–	(1,198,212)
Transfers	1,530,026	1,647,675	(3,177,701)	–
Exchange realignment	(1,758)	(1,616)	(802)	(4,176)
At 31 December 2012, net of accumulated depreciation and impairment	9,786,646	8,837,391	4,581,855	23,205,892
At 31 December 2012:				
Cost	11,503,951	13,766,926	4,581,855	29,852,732
Accumulated depreciation and impairment	(1,717,305)	(4,929,535)	–	(6,646,840)
Net carrying amount	9,786,646	8,837,391	4,581,855	23,205,892

14. Property, Plant and Equipment (continued)

Company

	Office equipment HK$'000
31 December 2013	
At 31 December 2012 and 1 January 2013:	
Cost	**2,898**
Accumulated depreciation	**(2,898)**
Net carrying amount	**–**
At 1 January 2013, net of accumulated depreciation	**–**
Additions	**34**
Depreciation provided during the year	**(1)**
At 31 December 2013, net of accumulated depreciation	**33**
At 31 December 2013:	
Cost	**2,932**
Accumulated depreciation	**(2,899)**
Net carrying amount	**33**
31 December 2012	
At 1 January 2012:	
Cost	2,898
Accumulated depreciation	(2,815)
Net carrying amount	83
At 1 January 2012, net of accumulated depreciation	83
Depreciation provided during the year	(83)
At 31 December 2012, net of accumulated depreciation	–
At 31 December 2012:	
Cost	2,898
Accumulated depreciation	(2,898)
Net carrying amount	–

As at 31 December 2013, certain of the Group's property, plant and equipment with a net carrying amount of approximately HK$262,665,000 (2012: HK$287,817,000) were pledged to secure banking facilities granted to the Group (note 26).

As at 31 December 2013, certificates of ownership in respect of certain buildings of the Group in Mainland China with an aggregate net carrying amount of approximately HK$2,442,721,000 (2012: HK$2,756,238,000) had not been issued by the relevant PRC authorities. The directors anticipate that these certificates will be issued in the near future.

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2013

15. Prepaid Land Premiums

	Group	
	2013	**2012**
	HK$'000	**HK$'000**
Carrying amount at 1 January	**2,702,017**	2,334,406
Additions	**123,486**	396,768
Acquisition of subsidiaries (note 32)	**–**	30,639
Disposals	**(6,807)**	–
Recognised during the year (note 6)	**(64,135)**	(59,584)
Exchange realignment	**81,494**	(212)
Carrying amount at 31 December	**2,836,055**	2,702,017
Current portion included in prepayments, deposits and other receivables	**(60,297)**	(56,632)
Non-current portion	**2,775,758**	2,645,385

The leasehold land is situated in Mainland China and is held under medium term lease.

As at 31 December 2013, certain land use rights of the Group with a net carrying amount of HK$109,188,000 (2012: HK$146,499,000) were pledged to secure bank loans granted to the Group (note 26).

As at 31 December 2013, certificates of land use rights in respect of certain land of the Group in Mainland China with an aggregate net carrying amount of HK$40,076,000 (2012: HK$60,217,000) had not been issued by the relevant PRC authorities. The directors anticipate that these certificates will be issued in the near future.

16. Goodwill

Group

	HK$'000
31 December 2013	
At 31 December 2012 and 1 January 2013:	
Cost	**1,076,038**
Accumulated impairment	**–**
Net carrying amount	**1,076,038**
Cost at 1 January 2013, net of accumulated impairment	**1,076,038**
Exchange realignment	**3,831**
At 31 December 2013, net of accumulated impairment	**1,079,869**
At 31 December 2013:	
Cost	**1,079,869**
Accumulated impairment	**–**
Net carrying amount	**1,079,869**
31 December 2012	
At 1 January 2012:	
Cost	1,074,240
Accumulated impairment	–
Net carrying amount	1,074,240
Cost at 1 January 2012, net of accumulated impairment	1,074,240
Acquisition of subsidiaries (note 32)	1,798
At 31 December 2012, net of accumulated impairment	1,076,038
At 31 December 2012:	
Cost	1,076,038
Accumulated impairment	–
Net carrying amount	1,076,038

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2013

16. Goodwill (continued)

Impairment testing of goodwill

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

- Oilseeds processing cash-generating unit;
- Rice processing and trading cash-generating unit; and
- Biochemical and biofuel cash-generating unit.

Oilseeds processing cash-generating unit

The recoverable amount of the oilseeds processing cash-generating unit has been determined based on a value in use calculation using cash flow projection based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projection is 13% (2012: 13%). The growth rate used to extrapolate the cash flows of the oilseeds processing unit beyond the five-year period is zero (2012: zero).

Rice processing and trading cash-generating unit

The recoverable amount of the rice processing and trading cash-generating unit has been determined based on a value in use calculation using a cash flow projection based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projection is 13% (2012: 13%). The growth rate used to extrapolate the cash flows beyond the five-year period is zero (2012: zero).

Biochemical and biofuel cash-generating unit

The recoverable amount of the biochemical and biofuel cash-generating unit has been determined based on a value in use calculation using a cash flow projection based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projection is 12% (2012: 12%). The growth rate used to extrapolate the cash flows beyond the five-year period is zero (2012: zero).

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

	2013 **HK$'000**	2012 HK$'000
Oilseeds processing	**535,037**	531,206
Rice processing and trading	**129,132**	129,132
Biochemical and biofuel	**412,517**	412,517
Others	**3,183**	3,183
	1,079,869	1,076,038

16. Goodwill (continued)

Impairment testing of goodwill (continued)

Assumptions were used in the value in use calculation of each of the cash-generating units for 31 December 2013 and 31 December 2012. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

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

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

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

The values assigned to the key assumptions on discount rates and raw materials price inflation are consistent with external information sources.

17. Investments in Subsidiaries

	Company	
	2013	**2012**
	HK$'000	**HK$'000**
Unlisted shares, at cost	**6,042,960**	6,046,927
Loans to subsidiaries	**12,599,630**	12,299,185
	18,642,590	18,346,112

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

Except for amounts due from subsidiaries of HK$1,616,119,000 (2012: HK$5,726,504,000), which are financing in nature and repayable within one year, the amounts due from subsidiaries of HK$164,515,000 (2012: HK$188,453,000) included in the Company's current assets are unsecured, interest-free and have no fixed term of repayment.

The amounts due to subsidiaries at 31 December 2013 and 31 December 2012 included in the Company's current liabilities are unsecured, interest-free and have no fixed term of repayment.

Particulars of the Company's principal subsidiaries as at 31 December 2013 are set out in note 38 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2013

17. Investments in Subsidiaries (continued)

Details of a subsidiary of the Company, namely COFCO East Ocean Oils & Grains Industries (Zhangjiagang) Co., Ltd. ("EOGI"), which in the opinion of the directors has material non-controlling interests, are set out below:

	2013	2012
Percentage of equity interest held by non-controlling interests	**46%**	46%

	2013 HK$'000	2012 HK$'000
Profit for the year allocated to non-controlling interests	**227,266**	64,196
Accumulated balances of non-controlling interests at the reporting dates	**2,444,151**	2,144,587

The following tables illustrate the summarised financial information of EOGI. The amounts disclosed are before any inter-company eliminations:

	2013 HK$'000	2012 HK$'000
Revenue	**26,221,763**	23,827,972
Total expenses	**(25,567,547)**	(23,676,540)
Profit for the year	**654,216**	151,432
Attributable to:		
Owners of EOGI	**494,056**	139,557
Non-controlling interests of EOGI	**160,160**	11,875
Total comprehensive income for the year	**684,036**	150,566
Attributable to:		
Owners of EOGI	**651,226**	138,692
Non-controlling interests of EOGI	**32,810**	11,874

	2013 HK$'000	2012 HK$'000
Current assets	**19,245,742**	11,072,434
Non-current assets	**2,912,504**	2,739,547
Current liabilities	**(16,696,357)**	(9,044,495)
Non-current liabilities	**(22,119)**	(11,751)
Net cash flows from operating activities	**4,951,083**	4,269,420
Net cash flows used in investing activities	**(2,398,402)**	(133,595)
Net cash flows used in financing activities	**(683,607)**	(2,832,998)
Effect of foreign exchange rate changes, net	**118,197**	(2,371)
Net increase in cash and cash equivalents	**1,987,271**	1,300,456

18. Investments in Associates

	Group 2013 HK$'000	Group 2012 HK$'000
Share of net assets	**2,144,308**	2,005,409
Goodwill on acquisition	**28,356**	28,356
	2,172,664	2,033,765
Loans to associates	**130,558**	142,621
	2,303,222	2,176,386

The loans to associates are unsecured, interest-free and the Company does not expect these loans to be repaid within the next 12 months. In the opinion of the directors, these loans are considered as quasi-equity investments in the associates.

The balances with associates included in current assets and current liabilities are unsecured, interest-free and repayable within one year except for loans to an associate of HK$79,506,000 (2012: HK$128,754,000) included in current assets, which are unsecured and bear interest at a rate of 2.5% (2012: 2.5%) per annum. The amounts due from associates included in non-current assets are unsecured, not repayable within one year and bear interest at a rate of 4% (2012: 2.5%) per annum.

Impairment testing of goodwill

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

- Oilseeds processing cash-generating unit; and
- Biochemical and biofuel cash-generating unit.

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

	2013 HK$'000	2012 HK$'000
Oilseeds processing	**16,642**	16,642
Biochemical and biofuel	**11,714**	11,714
	28,356	28,356

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2013

18. Investments in Associates (continued)

In the opinion of the directors, there was no associate considered individually material to the Group. The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	2013 HK$'000	2012 HK$'000
Share of the associates' profit for the year	**184,102**	23,725
Share of the associates' total comprehensive income	**184,102**	23,725
Aggregate carrying amount of the Group's investments in the associates	**2,303,222**	2,176,386

Particulars of the Group's principal associates as at 31 December 2013 are set out in note 39 to the financial statements.

19. Available-for-Sale Investments

		Group	
	Notes	2013 HK$'000	2012 HK$'000
Current			
Available-for-sale investments:			
Bank wealth management products, at cost		**1,691,617**	1,116,083
Non-current			
Available-for-sale investments:			
Bank wealth management products, at cost	(b)	**–**	160,326
Unlisted equity investments, at cost	(a)	**382**	370
		382	160,696

Notes:

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

(b) Bank wealth management products of HK$165,346,000 (2012: HK$160,326,000) were issued by reputable banks in Mainland China and had original maturity of two years when acquired. These bank wealth management products will mature in September 2014.

20. Intangible Assets

	Group		
	Golf club membership HK$'000	**Others HK$'000**	**Total HK$'000**
31 December 2013			
Cost at 1 January 2013, net of accumulated amortisation	**22,583**	**31,202**	**53,785**
Additions	**–**	**6,721**	**6,721**
Amortisation provided during the year (note 6)	**–**	**(2,466)**	**(2,466)**
Exchange realignment	**579**	**1,369**	**1,948**
At 31 December 2013	**23,162**	**36,826**	**59,988**
At 31 December 2013:			
Cost	**23,162**	**49,715**	**72,877**
Accumulated amortisation	**–**	**(12,889)**	**(12,889)**
Net carrying amount	**23,162**	**36,826**	**59,988**
31 December 2012			
Cost at 1 January 2012, net of accumulated amortisation	16,025	22,363	38,388
Additions	6,561	141	6,702
Acquisition of subsidiaries (note 32)	–	10,999	10,999
Amortisation provided during the year (note 6)	–	(2,271)	(2,271)
Exchange realignment	(3)	(30)	(33)
At 31 December 2012	22,583	31,202	53,785
At 31 December 2012:			
Cost	22,583	40,847	63,430
Accumulated amortisation	–	(9,645)	(9,645)
Net carrying amount	22,583	31,202	53,785

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2013

21. Inventories

	Group	
	2013	**2012**
	HK$'000	**HK$'000**
Raw materials	**11,487,113**	11,144,918
Work in progress	**1,262,034**	1,839,654
Finished goods	**5,555,275**	6,532,523
	18,304,422	19,517,095

22. Accounts and Bills Receivables

	Group	
	2013	**2012**
	HK$'000	**HK$'000**
Accounts and bills receivables	**4,262,173**	4,178,833
Impairment	**(17,397)**	(15,747)
	4,244,776	4,163,086

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 30 to 180 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by 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 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:

	Group	
	2013	**2012**
	HK$'000	**HK$'000**
Within 3 months	**3,633,086**	3,510,970
3 to 12 months	**598,075**	650,757
1 to 2 years	**12,762**	1,348
2 to 3 years	**853**	11
	4,244,776	4,163,086

22. Accounts and Bills Receivables (continued)

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

	Group	
	2013	**2012**
	HK$'000	**HK$'000**
At 1 January	**15,747**	7,782
Impairment losses recognised (note 6)	**1,491**	553
Impairment write-off	**(352)**	(506)
Acquisition of subsidiaries	**–**	7,920
Exchange realignment	**511**	(2)
At 31 December	**17,397**	15,747

Included in the above provision for impairment of accounts receivable is a provision for individually impaired accounts receivable of HK$17,397,000 (2012: HK$15,747,000) with a carrying amount of HK$17,397,000 (2012: HK$15,747,000).

The individually impaired accounts receivable relate to customers that were in financial difficulties and only a portion of the receivables is expected to be recovered.

An aged analysis of the accounts and bills receivables that are not individually nor collectively considered to be impaired is as follows:

	Group	
	2013	**2012**
	HK$'000	**HK$'000**
Neither past due nor impaired	**4,198,477**	4,105,999
Less than 1 month past due	**11,919**	34,949
1 to 3 months past due	**18,848**	11,503
More than 3 months but less than 12 months past due	**8,232**	9,378
More than 1 year past due	**7,300**	1,257
	4,244,776	4,163,086

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2013

23. Derivative Financial Instruments

	Group 2013		Group 2012	
	Assets HK$'000	Liabilities HK$'000	Assets HK$'000	Liabilities HK$'000
Commodity futures contracts	**521,104**	**–**	331,851	123,734
Foreign currency forward contracts	**4,418**	**–**	1,467	–
	525,522	**–**	333,318	123,734

The Group has entered into various commodity futures contracts to manage its price exposures in future purchases or sales of soybeans, soybean meal, soybean oil and corn. The commodity futures are not designated for hedging purpose and are measured at fair value through profit or loss. Net fair value gain on commodity futures contracts of HK$2,137,977,000 (2012: HK$1,041,562,000) was recognised to the statement of profit or loss during the year (note 6).

In addition, the Group has entered into various foreign currency forward contracts to manage its exchange rate exposures. These forward currency contracts are not designated for hedging purposes and are measured at fair value through profit or loss. Net fair value gain on foreign currency forward contracts of HK$6,638,000 (2012: HK$3,570,000) was recognised to the statement of profit or loss during the year (note 5).

24. Cash and Cash Equivalents and Pledged Deposits

		Group		Company	
	Note	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000
Cash and bank balances		**10,100,313**	5,855,998	**358,569**	1,221,790
Time deposits		**810,611**	1,888,013	**810,611**	1,888,013
Bank wealth management products		**3,033,463**	1,664,919	**–**	–
		13,944,387	9,408,930	**1,169,180**	3,109,803
Less: Pledged for bills payable	25	**–**	(21,708)	**–**	–
Others		**(663)**	–	**–**	–
		(663)	(21,708)	**–**	–
Cash and cash equivalents		**13,943,724**	9,387,222	**1,169,180**	3,109,803

24. Cash and Cash Equivalents and Pledged Deposits (continued)

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$13,092,451,000 (2012: HK$6,709,673,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

All the above bank wealth management products have a short maturity of generally within three months when acquired and a fixed or determinable return when acquired and the principal of these bank wealth management products is guaranteed by banks which have no recent history of default. In the opinion of the directors, these bank wealth management products are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

25. Accounts and Bills Payables

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

	Group	
	2013	**2012**
	HK$'000	**HK$'000**
Within 3 months	**7,918,502**	3,358,174
3 to 12 months	**53,718**	55,016
1 to 2 years	**11,179**	16,506
Over 2 years	**5,619**	5,049
	7,989,018	3,434,745

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

As at 31 December 2013, none of the Group's bills payable are secured by time deposits of the Group (2012: HK$21,708,000) (note 24).

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2013

26. Interest-Bearing Bank and Other Borrowings

Group

	2013			2012		
	Effective contractual interest rate (%)	Maturity	HK$'000	Effective contractual interest rate (%)	Maturity	HK$'000
Current						
Bank loans – unsecured	**0.83-6.55, LIBOR+1%**	**2014**	**27,725,012**	0.61-7.05	2013	20,606,062
Bank loans – secured	**6.55**	**2014**	**23,988**	6.55-6.65	2013	18,499
Other loans – unsecured	**1.16-3.4**	**2014**	**2,484,451**	5.04-6.56	2013	1,911,574
			30,233,451			22,536,135
Non-current						
Bank loans – unsecured	**5.84-6.55, LIBOR+1%**	**2015-2023**	**1,759,854**	5.76-7.76, LIBOR+1%	2014-2021	2,948,926
Bank loans – secured	**6.55**	**2015-2019**	**162,662**	6.40-6.65	2014-2019	176,081
Other loans – unsecured			**–**	3.4 and 4.2	2014	2,630,032
			1,922,516			5,755,039
			32,155,967			28,291,174

Company

	2013			2012		
	Effective contractual interest rate (%)	Maturity	HK$'000	Effective contractual interest rate (%)	Maturity	HK$'000
Current						
Bank loans – unsecured	**LIBOR+1%**	**2014**	**994,500**			–
Other loans – unsecured	**3.4**	**2014**	**63,824**			–
			1,058,324			–
Non-current						
Bank loans – unsecured	**LIBOR+1%**	**2015**	**955,500**	LIBOR+1%	2014-2015	1,950,000
Other loans – unsecured			**–**	3.4 and 4.2	2014	2,630,032
			955,500			4,580,032
			2,013,824			4,580,032

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

Group

	2013 HK$'000	2012 HK$'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**27,749,000**	20,624,561
In the second year	**1,117,954**	1,451,574
In the third to fifth years, inclusive	**461,850**	1,344,317
Beyond five years	**342,712**	329,116
	29,671,516	23,749,568
Other loans repayable:		
Within one year or on demand	**2,484,451**	1,911,574
In the second year	**–**	2,630,032
	2,484,451	4,541,606
	32,155,967	28,291,174

Company

	2013 HK$'000	2012 HK$'000
Analysed into:		
Bank loans repayable within one year or on demand	**994,500**	–
Bank loans repayable in the second year	**955,500**	994,500
Bank loans repayable in the third to fifth years, inclusive	**–**	955,500
	1,950,000	1,950,000
Other loans repayable within one year or on demand	**63,824**	–
Other loans repayable in the second year	**–**	2,630,032
	2,013,824	4,580,032

Notes:

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

(i) certain property, plant and equipment of the Group with a net carrying amount of approximately HK$262,665,000 (2012: HK$287,817,000) (note 14); and

(ii) certain land use rights of the Group with a net carrying amount of HK$109,188,000 (2012: HK$146,499,000) (note 15).

(b) Certain of the Group's bank loans are guaranteed by a non-controlling shareholder of a non-wholly-owned subsidiary of the Company.

(c) Except for bank and other borrowings of HK$26,509,443,000 (2012: HK$18,841,103,000) which are denominated in United States dollars, all other borrowings are denominated in RMB.

(d) The other loans represented loans from fellow subsidiaries and an intermediate holding company.

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2013

27. 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 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 bonds have been listed and quoted on the Singapore Exchange Securities Trading Limited on 2 August 2010.

The 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$10.000 per share with effect from 18 September 2013 as a result of the declaration of 2013 interim dividend.

The Issuer would, at the option of the holder of any bond, 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. On 29 July 2013, the Issuer redeemed (the "Early Redemption"), at the option of certain holders of the Convertible Bonds, certain Convertible Bonds with an aggregate principal amount of HK$2,668,500,000 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.

Upon fulfilling certain predetermined conditions, the bonds are redeemable in whole 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 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.

27. Convertible Bonds (continued)

The convertible bonds have been split into the liability and equity components at the issuance date, as follows:

	Group HK$'000
Nominal value of convertible bonds issued at the issuance date	3,875,000
Equity component after allocated transaction costs	(51,739)
Direct transaction costs attributable to the equity component	(1,056)
Direct transaction costs attributable to the liability component	(80,012)
Liability component at the issuance date	3,742,193

The movements of the liability and equity components of the convertible bonds were as follows:

Group

	Liability component of the convertible bonds HK$'000	Equity component of the convertible bonds HK$'000
At 1 January 2010	–	–
Upon issuance on 2 August 2010	3,742,193	51,739
Interest expense	42,511	–
At 31 December 2010 and 1 January 2011	3,784,704	51,739
Interest expense	102,530	–
Interest paid	(38,750)	–
At 31 December 2011 and 1 January 2012	3,848,484	51,739
Interest expense	104,270	–
Interest paid	(38,750)	–
At 31 December 2012 and 1 January 2013	3,914,004	51,739
Partial early redemption	(2,710,739)	(32,458)
Interest expense	75,263	–
Interest paid	(38,750)	–
At 31 December 2013	1,239,778	19,281

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2013

27. Convertible Bonds (continued)

The Group's liability component at the end of the reporting period is analysed as follows:

	2013 HK$'000	2012 HK$'000
Current liabilities included in other payables	**5,060**	16,253
Current liabilities included in convertible bonds	**–**	3,897,751
Non-current liabilities included in convertible bonds	**1,234,718**	–
	1,239,778	3,914,004

28. Deferred Tax

The movements in deferred tax assets and liabilities during the year are as follows:

Deferred tax assets

Group

	Provision against inventories and non-cancellable purchase contracts HK$'000	Impairment of receivables HK$'000	Unrealised losses on derivative financial instruments HK$'000	Losses available for offsetting against future taxable profits HK$'000	Others HK$'000	Total HK$'000
At 1 January 2012	411,987	7,901	1,736	16,621	101,045	539,290
Deferred tax credited/(charged) to the statement of profit or loss during the year (note 10)	(57,861)	(101)	15,261	198,406	19,647	175,352
Exchange realignment	(56)	(1)	(1)	(17)	(698)	(773)
At 31 December 2012 and at 1 January 2013	**354,070**	**7,799**	**16,996**	**215,010**	**119,994**	**713,869**
Deferred tax credited/(charged) to the statement of profit or loss during the year (note 10)	**(35,828)**	**(850)**	**(17,258)**	**83,069**	**44,505**	**73,638**
Exchange realignment	**6,922**	**231**	**262**	**8,033**	**4,045**	**19,493**
Gross deferred tax assets at 31 December 2013	**325,164**	**7,180**	**–**	**306,112**	**168,544**	**807,000**

28. Deferred Tax (continued)

Deferred tax liabilities

Group

	Depreciation allowance in excesson of related depreciation HK$'000	Fair value adjustment on acquisition of subsidiaries HK$'000	Unrealised gains on derivative financial instruments HK$'000	Withholding taxes or additional corporate income taxes HK$'000	Others HK$'000	Total HK$'000
At 1 January 2012	2,250	42,806	53,820	138,380	37,681	274,937
Acquisition of subsidiaries (note 32)	–	4,168	–	–	–	4,168
Deferred tax credited to the statement of profit or loss during the year (note 10)	(1,567)	(2,983)	(52,470)	–	(16,831)	(73,851)
Exchange realignment	–	–	(6)	–	–	(6)
At 31 December 2012 and at 1 January 2013	**683**	**43,991**	**1,344**	**138,380**	**20,850**	**205,248**
Deferred tax charged/(credited) to the statement of profit or loss during the year (note 10)	**(674)**	**(2,853)**	**116,672**	**(56,943)**	**(20,643)**	**35,559**
Exchange realignment	**11**	**680**	**1,558**	**–**	**6**	**2,255**
Gross deferred tax liabilities at 31 December 2013	**20**	**41,818**	**119,574**	**81,437**	**213**	**243,062**

The Group has tax losses arising in Mainland China of HK$1,294,776,000 (2012: HK$827,753,000) that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised in the future.

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2013

28. Deferred Tax (continued)

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China which are Chinese Resident Enterprise ("CRE") according to PRC Corporate Income Tax Law, whereas withholding tax is exempted if the foreign investors are Chinese-controlled offshore enterprises and are regarded as CREs too. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and jurisdiction of the foreign investors. The Group is therefore liable for withholding taxes on dividends distributed by these subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008. As at 31 December 2012, the deferred tax liabilities arising thereon amounted to HK$138,380,000, representing the withholding taxes accrued on unremitted profits generated by certain PRC incorporated subsidiaries of the Group which are expected to be distributed to their holding companies incorporated outside Mainland China in the foreseeable future. Pursuant to the approval by the State Administration of Taxation on 22 April 2013 (the "Approval"), the Company and certain of its subsidiaries established outside Mainland China are approved as CREs with effect from 1 January 2013, therefore dividends distributed by subsidiaries established in Mainland China whose foreign investors are regarded as CREs in the Approval are exempted from withholding tax since 1 January 2013. The exemption is also retrospectively applied to the unremitted earnings of these subsidiaries established in Mainland China generated from 1 January 2008 to 31 December 2012. Management therefore reversed the related deferred tax liabilities of HK$138,380,000 in current year.

Pursuant to the PRC Corporate Income Tax Law, dividends income received by CREs from its investment in non-CREs established outside Mainland China will be subject to Chinese income tax whereas the related income tax expenses paid by these non-CREs are deductible due to the availability of double taxation relief. A deferred tax liability of HK$81,437,000 has been provided on the expected remittance of the unremitted earnings in the non-CREs of the Group in the foreseeable future. As at 31 December 2013, deferred tax of HK$153,559,000 has not been recognised for corporate income tax liabilities that would be payable on the unremitted earnings in non-CREs of the Group as in the opinion of the directors, it is not probable to distribute such unremitted earnings in the foreseeable future.

As the Company is regarded as a CRE in the Approval, the Enterprise Income Tax Law and the Implementation Rules is applicable to the Company since 1 January 2013. The Company is required to withhold 10% enterprise income tax when it distributes dividends to its non-resident enterprise shareholders on or after 1 January 2013.

29. Issued Capital

Shares

	2013 HK$'000	2012 HK$'000
Authorised:		
10,000,000,000 (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 (2012: 5,249,880,788) ordinary shares of HK$0.1 each	**524,988**	524,988

A summary of the transactions during the years ended 31 December 2013 and 2012 with reference to the above movements in the Company's issued share capital is as follows:

	Note	Number of ordinary shares	Nominal value of ordinary shares HK$'000
At 1 January 2012		4,038,369,839	403,837
Rights issue	(i)	1,211,510,949	121,151
At 31 December 2012, 1 January 2013 and 31 December 2013		5,249,880,788	524,988

Note:

(i) During the year ended 31 December 2012, the Company issued an aggregate of 1,211,510,949 new ordinary shares by a rights issue on the basis of three rights shares for every ten existing shares held by members as recorded on the register of members on 30 November 2012 at a subscription price of HK$3.39 per rights share. The proceeds, before expenses, were approximately HK$4,107,022,000.

Share options

Details of the Company's share option scheme and share options issued under the scheme are included in note 30 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2013

30. Share Option Scheme

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

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

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

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

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

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

30. Share Option Scheme (continued)

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 share of the 2007 Options at the date of grant was HK$4.50 per share.

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

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

In accordance with the terms of the Scheme, with effect from 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 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 and 2,646,000 shares, respectively.

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

	2013		2012	
	Weighted average exercise price HK$ per share	**Number of options '000**	**Weighted average exercise price HK$ per share**	**Number of options '000**
At 1 January	**4.666**	**23,179**	4.666	23,579
Additional options arising from the Adjustments	**4.399**	**1,360**	–	–
Forfeited during the year	**4.399**	**(359)**	4.666	(400)
At 31 December	**4.399**	**24,180**	4.666	23,179

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2013

30. Share Option Scheme (continued)

The vesting periods, exercise price and exercise periods of the 2007 Options outstanding as at 31 December 2013 and 2012 are as follows:

2013 Number of options granted* '000	**Vesting period (d-m-yyyy)**	**Exercise price* HK$ per share**	**Exercise period (d-m-yyyy)**
2,640	**7-8-2007 to 6-8-2009**	**4.399**	**7-8-2009 to 6-8-2014**
5,385	**7-8-2007 to 6-8-2010**	**4.399**	**7-8-2010 to 6-8-2014**
5,385	**7-8-2007 to 6-8-2011**	**4.399**	**7-8-2011 to 6-8-2014**
5,385	**7-8-2007 to 6-8-2012**	**4.399**	**7-8-2012 to 6-8-2014**
5,385	**7-8-2007 to 6-8-2013**	**4.399**	**7-8-2013 to 6-8-2014**
24,180			

2012 Number of options granted* '000	Vesting period (d-m-yyyy)	Exercise price* HK$ per share	Exercise period (d-m-yyyy)
2,581	7-8-2007 to 6-8-2009	4.666	7-8-2009 to 6-8-2014
5,190	7-8-2007 to 6-8-2010	4.666	7-8-2010 to 6-8-2014
5,136	7-8-2007 to 6-8-2011	4.666	7-8-2011 to 6-8-2014
5,136	7-8-2007 to 6-8-2012	4.666	7-8-2012 to 6-8-2014
5,136	7-8-2007 to 6-8-2013	4.666	7-8-2013 to 6-8-2014
23,179			

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

30. Share Option Scheme (continued)

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

	2013 Weighted average exercise price HK$ per share	2013 Number of options '000	2012 Weighted average exercise price HK$ per share	2012 Number of options '000
At 1 January	**8.720**	**44,550**	8.720	45,300
Additional options arising from the Adjustments	**8.220**	**2,646**	–	–
Forfeited during the year	**8.220**	**(1,705)**	8.720	(750)
At 31 December	**8.220**	**45,491**	8.720	44,550

The vesting periods, exercise price and exercise periods of the 2011 Options outstanding as at 31 December 2013 and 2012 are as follows:

2013 Number of options granted* '000	**Vesting period (d-m-yyyy)**	**Exercise price* HK$ per share**	**Exercise period (d-m-yyyy)**
9,211	**31-3-2011 to 30-3-2013**	**8.220**	**31-3-2013 to 30-3-2018**
9,070	**31-3-2011 to 30-3-2014**	**8.220**	**31-3-2014 to 30-3-2018**
9,070	**31-3-2011 to 30-3-2015**	**8.220**	**31-3-2015 to 30-3-2018**
9,070	**31-3-2011 to 30-3-2016**	**8.220**	**31-3-2016 to 30-3-2018**
9,070	**31-3-2011 to 30-3-2017**	**8.220**	**31-3-2017 to 30-3-2018**
45,491			

2012 Number of options granted* '000	Vesting period (d-m-yyyy)	Exercise price* HK$ per share	Exercise period (d-m-yyyy)
8,910	31-3-2011 to 30-3-2013	8.720	31-3-2013 to 30-3-2018
8,910	31-3-2011 to 30-3-2014	8.720	31-3-2014 to 30-3-2018
8,910	31-3-2011 to 30-3-2015	8.720	31-3-2015 to 30-3-2018
8,910	31-3-2011 to 30-3-2016	8.720	31-3-2016 to 30-3-2018
8,910	31-3-2011 to 30-3-2017	8.720	31-3-2017 to 30-3-2018
44,550			

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

30. Share Option Scheme (continued)

The fair values of the 2007 Options and 2011 Options were approximately HK$48,459,000 (2012: HK$48,459,000) (including an additional fair value of approximately HK$2,759,000 arising from the Modification) and HK$173,616,000 (2012: HK$173,616,000), respectively, of which the Group recognised share option expenses of HK$37,878,000 (2012: HK$48,180,000) during the year.

The fair values of the equity-settled share options were estimated as at the date of grant or Modification Date, 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 Date	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.

At the end of the reporting period, the Company had 69,671,000 (2012: 67,729,000) share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 69,671,000 (2012: 67,729,000) additional ordinary shares of the Company and additional share capital of HK$6,967,100 (2012: HK$6,772,900) and share premium of HK$473,336,740 (2012: HK$489,856,314) (before issue expenses).

At the date of the approval of these financial statements, the Company had share options outstanding under the Scheme, which represented approximately 1.3% (2012: 1.3%) of the Company's shares in issue as at that date.

31. Reserves

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity of the financial statements.

The Group's capital reserve mainly represents contributed surplus which is the excess of the nominal value of the shares of the subsidiaries acquired pursuant to the Group reorganisation prior to the listing of the Company's shares on 21 March 2007 over the nominal value of the Company's shares issued in exchange therefor.

Pursuant to the relevant laws and regulations for Sino-foreign joint venture enterprises and foreign invested enterprises, a portion of the profits of the Group's joint ventures and foreign invested enterprises entities which are established in the PRC has been transferred to reserve funds which are restricted as to use.

31. Reserves (continued)

(b) Company

	Notes	Share premium HK$'000	Capital reserve HK$'000	Employee share-based compensation reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2012		5,275,156	5,689,788	77,965	3,399,653	14,442,562
Total comprehensive income for the year		–	–	–	(57,746)	(57,746)
Issue of new shares	29	3,985,871	–	–	–	3,985,871
Share issue expenses	29	(14,351)	–	–	–	(14,351)
Equity-settled share option arrangements	30	–	–	48,180	–	48,180
Interim 2012 dividend	12	–	–	–	(125,189)	(125,189)
Proposed final 2012 dividend	12	–	–	–	(183,746)	(183,746)
At 31 December 2012 and at 1 January 2013		**9,246,676**	**5,689,788**	**126,145**	**3,032,972**	**18,095,581**
Total comprehensive income for the year		**–**	**–**	**–**	**107,806**	**107,806**
Equity-settled share option arrangements	**30**	**–**	**–**	**37,878**	**–**	**37,878**
Interim 2013 dividend	**12**	**–**	**–**	**–**	**(162,746)**	**(162,746)**
Proposed final 2013 dividend	**12**	**–**	**–**	**–**	**(215,245)**	**(215,245)**
At 31 December 2013		**9,246,676**	**5,689,788**	**164,023**	**2,762,787**	**17,863,274**

The Company's capital reserve mainly represents contributed surplus which is the excess of carrying amount of China Agri-Industries Limited acquired pursuant to the Group reorganisation prior to the listing of the Company's shares on 21 March 2007 over the nominal value of the Company's shares issued in exchange therefor.

The employee share-based compensation reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payment transactions in note 2.4 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited.

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2013

32. Business Combinations

Business combinations for the year ended 31 December 2013

The Group did not enter into any business combination during the year ended 31 December 2013.

Business combinations for the year ended 31 December 2012

(a) During the year ended 31 December 2012, the Group acquired a 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 a 77.04% equity interest in COFCO Tayuan Safflower (Xinjiang) Co., Limited ("Tayuan"). Tayuan is engaged 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 (note 16)	1,798
	35,694
Satisfied by cash	35,694

32. Business Combinations (continued)

Business combinations for the year ended 31 December 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:

	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 year ended 31 December 2012, Poly Idea and Tayuan generated revenue and a net loss of approximately HK$45,474,000 and HK$8,621,000, respectively. Since the acquisition date, Poly Idea and Tayuan contributed revenue of HK$32,374,000 to the Group and contributed a net loss of approximately HK$4,939,000 to the Group's consolidated profit for the year ended 31 December 2012.

(b) During the year ended 31 December 2012, the Group acquired a 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 a 100% equity interest in COFCO TECH Bioengineering (Tianjin) Co., Limited ("COFCO TECH"). COFCO TECH is engaged in producing, processing and trading of food additives, and microencapsulating natural active substances.

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 payable 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 consolidated statement of profit or loss (note 5)	(3,186)
	117,951
Satisfied by cash	117,951

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2013

32. Business Combinations (continued)

Business combinations for the year ended 31 December 2012 (continued)

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

	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 year ended 31 December 2012, Sharp Global and COFCO TECH generated revenue and a net profit of approximately HK$397,722,000 and HK$22,979,000, respectively. Since the acquisition date, Sharp Global and COFCO TECH contributed revenue of HK$296,515,000 to the Group and contributed a net profit of approximately HK$11,243,000 to the Group's consolidated profit for the year ended 31 December 2012.

33. Operating Lease Arrangements

As lessee

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 that for land use rights for terms of fifty years.

At 31 December 2013, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2013 HK$'000	2012 HK$'000
Within one year	**19,081**	11,390
In the second to fifth years, inclusive	**12,726**	14,648
After five years	**45,550**	45,334
	77,357	71,372

34. Contingent Liabilities

At the end of the reporting period, contingent liabilities not provided for in the financial statements were as follows:

	Company	
	2013	**2012**
	HK$'000	**HK$'000**
Guarantees given to banks in connection with facilities granted to subsidiaries	**10,865,400**	8,572,200

As at 31 December 2013, the banking facilities granted to certain subsidiaries subject to guarantees given to banks by the Company were utilised to the extent of approximately HK$5,498,506,000 (2012: HK$4,377,759,000).

In addition, the Company has unconditionally and irrevocably guaranteed the due payments of all sums to be payable of the convertible bonds issued by a subsidiary of the Company (note 27).

35. Capital Commitments

In addition to the operating lease commitments detailed in note 33 above, the Group had the following capital commitments at the end of the reporting period:

	2013	**2012**
	HK$'000	**HK$'000**
Capital commitments in respect of property, plant and equipment:		
Authorised, but not contracted for	**544,212**	1,374,358
Contracted, but not provided for	**967,163**	1,047,456
	1,511,375	2,421,814

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2013

36. Other Commitments

Commitments under commodity futures contracts:

	Group	
	2013	2012
	HK$'000	HK$'000
Sales of soybean meal	**6,590,203**	405,509
Sales of soybeans	**4,063,162**	10,674,723
Sales of rapeseed meal	**656,691**	84,772
Sales of vegetable oil	**3,442,626**	36,047
Sales of soybean oil	**7,822,523**	5,845,474
Sales of palm oil	**794,106**	2,077,326
Sales of early grains	**–**	1,993
Sales of Japonica Rice	**4,072**	–
Sales of corn	**75,736**	–
	23,449,119	19,125,844
Purchases of soybeans	**3,976,281**	1,638,049
Purchases of soybean oil	**153,274**	–
Purchases of soybean meal	**–**	614,579
Purchases of palm oil	**339,888**	249,170
Purchases of Japonica Rice	**74,055**	–
Purchases of corn	**–**	29,288
	4,543,498	2,531,086

Commitments under foreign currency forward contracts:

	Group	
	2013	2012
	HK$'000	HK$'000
Sales of United States dollars	**4,320**	17,108
Sales of Euro	**–**	2,033
	4,320	19,141

37. Connected and Related Party Transactions

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

	Notes	Group 2013 HK$'000	Group 2012 HK$'000
Transactions with fellow subsidiaries:			
Sales of goods**	(i)	**10,198,924**	9,294,893
Purchases of goods**	(i)	**6,532,332**	2,658,363
Operating lease rental paid*	(i)	**4,287**	4,250
Interest income**	(iii)	**17,599**	–
Interest expense	(ii)	**62,461**	19,751
Brokerage fees paid*	(i)	**30,884**	32,004
Other service fee paid**	(i)	**32,381**	10,074
Processing service and other income**	(i)	**47,730**	23,061
Transactions with the ultimate holding company:			
Operating lease rental paid*	(i)	**33,494**	19,404
Interest expense	(ii)	**26,276**	13,184
Transaction with an intermediate holding company:			
Interest expense	(ii)	**49,251**	91,657
Transactions with associates:			
Sales of goods**	(i)	**1,816,338**	2,706,887
Purchases of goods**	(i)	**612,182**	170,588
Interest income*	(iii)	**6,800**	4,900
Logistics service and storage fee paid*	(i)	**3,940**	891
Transactions with related companies:#			
Sales of goods**	(i)	**395,043**	215,706
Purchases of goods**	(i)	**3,565,042**	4,315,369
Brokerage fees paid	(i)	**6,353**	8,659
Transactions with non-controlling shareholders of subsidiaries:			
Sales of goods	(i)	**922,320**	897,948
Purchases of goods	(i)	**62,516**	116,437

* These related party transactions also constituted connected transactions or continuing connected transactions disclosable in accordance with the Listing Rules.

** A certain portion of these related party transactions constituted connected transactions or continuing connected transactions disclosable in accordance with the Listing Rules.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2013

37. Connected and Related Party Transactions (continued)

(a) (continued)

Notes:

(i) Except for the transactions with a fellow subsidiary for sales of goods of HK$340,813,000 (2012: Nil) and with an associate for sales of goods of HK$738,756,000 (2012: HK$864,930,000), 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 subsidiaries arose from the loans from fellow subsidiaries which were unsecured and bore interest at rates ranged from 1.16% to 6.56% (2012: 5.04% to 6.56%) per annum. The interest expense to an intermediate holding company arose from loans from COFCO HK which were unsecured and bore interest at rates of 3.4% and 4.2% (2012: 3.4% and 4.2%) per annum. The interest expenses to the ultimate holding company arose from the loans from COFCO which were unsecured and bore interest at rates ranged from 5.04% to 5.32% (2012: 5.32%) per annum.

(iii) The interest income from fellow subsidiaries represented interest income arose from loans to a fellow subsidiary and interest charged for overdue accounts receivable due from a fellow subsidiary, which are unsecured and bore interest at a rate of 5.6% per annum (2012: Nil). The interest income from associates arose from loans to an associate, which were unsecured and bore interest at rates ranged from 2.5% and 4% (2012: 2.5%) per annum.

(b) Outstanding balances with related parties

Except for the following, the balances with the related parties as at the end of the reporting period are unsecured, interest-free and have no fixed terms of repayment:

(1) Loans from fellow subsidiaries of HK$2,420,627,000 (2012: HK$1,541,592,000) which bear interest at rates ranged from 1.16% to 1.77% (2012: rates ranged from 5.04% to 6.56%) per annum and are repayable within one year. Loans from an intermediate holding company of HK$63,824,000 (2012: HK$2,630,032,000) which bear interest at a rate of 3.4% (2012: 3.4% and 4.2%) per annum and are repayable within one year. Loans from the ultimate holding company of HK$369,982,000 as at 31 December 2012 which bore interest at a rate of 5.32% per annum and was repaid during the year.

(2) Amounts due to non-controlling shareholders of subsidiaries of HK$210,467,000 (2012: HK$207,693,000) which are financing in nature and not repayable within one year.

(3) Details of the Group's loans to its associates as at the end of the reporting period are included in note 18 to the financial statements, and details of the Company's loans to its subsidiaries are included in note 17 to the financial statements.

(4) Loans to a fellow subsidiary of HK$890,325,000 (2012: Nil) which bear interest at a rate of 5.6% per annum and are repayable within one year.

37. Connected and Related Party Transactions (continued)

(c) Other related parties transactions

On 20 December 2013, Excel Joy International Limited ("Excel Joy International"), a wholly-owned subsidiary of the Company, COFCO and COFCO Excel Joy (Tianjin) Co., Ltd. ("COFCO Excel Joy") entered into the capital increase agreement to the effect that COFCO will become a new shareholder of COFCO Excel Joy from the date when COFCO Excel Joy is issued its revised business license resulted from the capital increase. Immediately after the completion of the capital increase agreement, COFCO Excel Joy will be owned as to approximately 75.83% by Excel Joy International and approximately 24.17% by COFCO. The total investment by COFCO in COFCO Excel Joy pursuant to the capital increase agreement is RMB384,530,000. Excel Joy International and COFCO also entered into the relevant joint venture agreement and passed the COFCO Excel Joy's Articles of Association on the same date.

On 20 December 2013, COFCO (BVI) No. 24 Limited ("COFCO No. 24"), a wholly-owned subsidiary of the Company, Grand Silver (Lanshan) Limited ("Grand Silver"), a non-wholly-owned subsidiary of the Company, COFCO and COFCO Yellowsea Oils & Grains Industries (Shandong) Co., Ltd. ("COFCO Yellowsea") entered into the capital increase agreement to the effect that COFCO will become a new shareholder of COFCO Yellowsea from the date when COFCO Yellowsea is issued its revised business license resulted from the capital increase. Immediately after the completion of the capital increase agreement, COFCO Yellowsea will be owned as to approximately 53.22% by Grand Silver, approximately 43.58% by COFCO No. 24 and approximately 3.20% by COFCO. The total investment by COFCO in COFCO Yellowsea pursuant to the capital increase agreement is RMB47,550,000. COFCO No. 24, Grand Silver and COFCO also entered into the relevant joint venture agreement and passed the COFCO Yellowsea's Articles of Association on the same date.

On 20 December 2013, Oriental Chance Limited ("Oriental Chance"), a wholly-owned subsidiary of the Company, COFCO and COFCO Oils (Qinzhou) Co., Ltd. ("COFCO Qinzhou") entered into the capital increase agreement to the effect that COFCO will become a new shareholder of COFCO Qinzhou from the date when COFCO Qinzhou is issued its revised business license resulted from the capital increase. Immediately after the completion of the capital increase agreement, COFCO Qinzhou will be owned as to approximately 95.32% by Oriental Chance and approximately 4.68% by COFCO. The total investment by COFCO in COFCO Qinzhou pursuant to the capital increase agreement is RMB67,920,000. Oriental Chance and COFCO also entered into the relevant joint venture agreement and passed the COFCO Qinzhou's Articles of Association on the same date.

The above transactions are not completed up to the issuance date of the report.

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2013

37. Connected and Related Party Transactions (continued)

(d) Commitments with related parties

There were no significant commitments with related parties as at 31 December 2013 and 2012.

The amount of total transactions with related parties for the year is included in note 37(a) to the consolidated financial statements. 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.

(e) Compensation of key management personnel of the Group

	2013 HK$'000	2012 HK$'000
Short term employee benefits	**11,704**	10,274
Post-employment benefits	**326**	332
Equity-settled share option expense	**3,924**	4,961
Total compensation paid to key management personnel	**15,954**	15,567

Further details of directors' and chief executive's emoluments are included in note 8 to the financial statements.

(f) Transactions and balances with other state-owned enterprises

The Group operates in an economic environment predominated by enterprises directly or indirectly owned or controlled by the PRC government through its numerous authorities, affiliates or other organisations (collectively "State-owned Enterprises"). During the year, the Group 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 related party transaction that requires separate disclosure.

38. Particulars of Principal Subsidiaries

Particulars of the principal subsidiaries as at 31 December 2013 are as follows:

Name	Place of incorporation/ registration and business	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company	Principal activities
China Agri-Industries Limited	Bermuda/ Hong Kong	Ordinary HK$269,238,336	100	Investment holding
COFCO Agri-Industries Management Co., Ltd.***	The PRC/ Mainland China	US$10,000,000	100	Provision of management services
Full Extent Group Limited	British Virgin Islands ("BVI")/ Hong Kong	Ordinary US$3	100	Investment holding
Charm Power Limited*	Hong Kong/ Hong Kong	Ordinary HK$1	100	Investment holding
Glory River Holdings Limited	BVI/Hong Kong	Ordinary US$1	100	Investment holding
China Agri Trading (HK) Limited*	Hong Kong/ Hong Kong	Ordinary HK$10,000	100	Trading of agricultural products
COFCO Oils & Fats Holdings Limited	BVI/Hong Kong	Ordinary US$2	100	Investment holding
COFCO East Ocean Oils & Grains Industries (Zhangjiagang) Co., Ltd.***	The PRC/ Mainland China	US$145,000,000	54	Production and sale of edible oil, and trading of soybeans and rapeseeds
COFCO Yellowsea Oils & Grains Industries (Shandong) Co., Ltd.***	The PRC/ Mainland China	US$81,462,057	72.94	Production and sale of edible oil
COFCO ADM Oils & Grains Industries (Heze) Co., Ltd.***	The PRC/ Mainland China	US$22,399,989	70	Production and sale of edible oil

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38. Particulars of Principal Subsidiaries (continued)

Name	Place of incorporation/ registration and business	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company	Principal activities
COFCO Eastbay Oils & Grains Industries (Guangzhou) Co., Ltd.***	The PRC/ Mainland China	RMB51,700,000	89.36	Processing and refining of edible oil and fat
China Agri Oils Trading Limited*	Hong Kong/ Hong Kong	Ordinary HK$1	100	Trading of soybeans and oils
COFCO Xiangrui Oils & Grains Industries (Jingmen) Co., Ltd.***	The PRC/ Mainland China	US$29,320,000	100	Production and sale of edible oil
張家港保税區中糧四海豐貿易有限公司****	The PRC/ Mainland China	RMB20,000,000	78.35	Trading of soybeans and oils
Zhangjiagang COFCO East Ocean Storage Co., Ltd.****	The PRC/ Mainland China	RMB336,000,000	38.74#	Provision of storage service
Hubei COFCO Xiangrui Oils & Grains Storage Co., Ltd.****	The PRC/ Mainland China	RMB38,430,000	67.94	Provision of storage service
COFCO Oils (Qinzhou) Co., Ltd.***	The PRC/ Mainland China	RMB903,704,900	100	Production and sale of edible oil
COFCO Xinsha Oils & Grains Industries (Dongguan) Co., Ltd.***	The PRC/ Mainland China	US$34,850,000	100	Production and sale of edible oil
Fei County COFCO Oils & Fats Industrial Co., Ltd.***	The PRC/ Mainland China	RMB30,000,000	100	Production and sale of edible oil
COFCO Oils & Grains Industries (Jiujiang) Co., Ltd.***	The PRC/ Mainland China	US$30,000,000	100	Production and sale of rapeseed oil
COFCO Oils & Grains Industries (Jingzhou) Co., Ltd.***	The PRC/ Mainland China	US$42,750,000	100	Production and sale of rapeseed oil

38. Particulars of Principal Subsidiaries (continued)

Name	Place of incorporation/ registration and business	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company	Principal activities
COFCO Oils & Grains Industries (Huanggang) Co., Ltd.***	The PRC/ Mainland China	US$42,150,000	100	Production and sale of rapeseed oil
COFCO Oils & Grains Industries (Chaohu) Co., Ltd.***	The PRC/ Mainland China	US$43,900,000	100	Production and sale of rapeseed oil
COFCO Oils & Grains Industries (Chongqing) Co., Ltd.***	The PRC/ Mainland China	US$15,000,000	100	Production and sale of rapeseed oil
Tianjin COFCO Excel Joy Lingang Storage Co., Ltd.**	The PRC/ Mainland China	RMB241,890,000	76.61	Provision of storage service
COFCO Excel Joy (Tianjin) Co., Ltd.***	The PRC/ Mainland China	US$177,115,042.10	100	Production and sale of edible oil
COFCO Tayuan Safflower (Xinjiang) Co., Limited**	The PRC/ Mainland China	RMB37,000,000	77.04	Production and sale of edible oil
COFCO Malt Holdings Limited	BVI/Hong Kong	Ordinary US$2	100	Investment holding
COFCO Malt (Dalian) Co., Ltd.***	The PRC/ Mainland China	US$32,526,000	100	Production and sale of brewing materials
COFCO Malt (Jiangyin) Co., Ltd.***	The PRC/ Mainland China	US$35,000,000	100	Production and sale of brewing materials
COFCO Malt (Hulunbeier) Co., Ltd.***	The PRC/ Mainland China	US$17,300,000	100	Production and sale of brewing materials
COFCO (Jiangyin) Cereals, Oil & Warehouse Co., Ltd.***	The PRC/ Mainland China	US$15,000,000	100	Provision of storage service
COFCO International (Beijing) Co., Ltd.***	The PRC/ Mainland China	RMB120,000,000	100	Trading of rice

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38. Particulars of Principal Subsidiaries (continued)

Name	Place of incorporation/ registration and business	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company	Principal activities
COFCO (BVI) No. 1 Limited	BVI/Hong Kong	Ordinary US$2	100	Investment holding
COFCO Jiangxi Rice Processing Limited**	The PRC/ Mainland China	RMB110,200,000	83.47	Processing and trading of rice
COFCO Dalian Rice Processing Limited***	The PRC/ Mainland China	RMB196,600,000	100	Processing and trading of rice
COFCO Suihua Rice Processing Limited***	The PRC/ Mainland China	RMB149,050,000	100	Processing and trading of rice
COFCO Wuchang Rice Processing Limited***	The PRC/ Mainland China	RMB83,800,000	100	Processing and trading of rice
COFCO Ningxia Rice Processing Limited***	The PRC/ Mainland China	RMB80,180,000	100	Processing and trading of rice
COFCO Rice (Jilin) Limited***	The PRC/ Mainland China	US$24,431,400	100	Processing and trading of rice
COFCO Shenyang Rice Processing Limited**	The PRC/ Mainland China	RMB183,107,260.91	87.73	Processing and trading of rice
COFCO Rice (Yancheng) Co., Ltd.**	The PRC/ Mainland China	RMB181,609,324.22	89.23	Processing and trading of rice
COFCO Rice (Hulin) Co., Ltd.***	The PRC/ Mainland China	RMB158,160,000	100	Processing and trading of rice
COFCO Chaohu Rice Processing Limited**	The PRC/ Mainland China	RMB168,138,801.26	88.76	Processing and trading of rice
COFCO Rice (Jiansanjiang) Co., Ltd.**	The PRC/ Mainland China	RMB200,000,000	80	Under construction

38. Particulars of Principal Subsidiaries (continued)

Name	Place of incorporation/ registration and business	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company	Principal activities
COFCO Rice (Panshi) Co., Ltd.****	The PRC/ Mainland China	RMB8,770,000	82.21	Processing and trading of rice
COFCO Bafang Rice (Jingshan) Co., Ltd.****	The PRC/ Mainland China	RMB8,520,000	51	Processing and trading of rice
COFCO Rice (Yueyang) Co., Ltd.***	The PRC/ Mainland China	RMB139,040,000	100	Processing and trading of rice
COFCO Rice (Xiantao) Co., Ltd.***	The PRC/ Mainland China	RMB156,800,000	100	Processing and trading of rice
COFCO Biofuel Holdings Limited	BVI/Hong Kong	Ordinary US$2	100	Investment holding
Techbo Limited	BVI/Hong Kong	Ordinary US$1	100	Investment holding
COFCO Bio-Energy (Zhaodong) Co., Ltd.*** ("Zhaodong Bio-Energy")	The PRC/ Mainland China	RMB380,000,000	100	Production and sale of biofuel and biochemicals
COFCO Heilongjiang Brewery Co., Ltd.****	The PRC/ Mainland China	RMB5,000,000	65	Wine brewery
Guangxi COFCO Bio-Energy Co., Ltd.** ("Guangxi Bio-Energy")	The PRC/ Mainland China	US$40,205,980	85	Production and sale of biofuel and biochemicals
COFCO Biochemical Holdings Limited	BVI/Hong Kong	Ordinary US$2	100	Investment holding
COFCO Bio-Chemical Energy (Hengshui) Co., Ltd.***	The PRC/ Mainland China	RMB186,197,000	100	Production and sale of biochemicals
COFCO TECH Bioengineering (Tianjin) Co., Ltd.***	The PRC/ Mainland China	RMB57,000,000	100	Production and sale of biochemicals

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38. Particulars of Principal Subsidiaries (continued)

Name	Place of incorporation/ registration and business	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company	Principal activities
COFCO Bio-Chemical Energy (Yushu) Co., Ltd.***	The PRC/ Mainland China	US$38,000,000	100	Production and sale of biochemicals
COFCO Bio-Chemical Energy (Longjiang) Co., Ltd.***	The PRC/ Mainland China	US$114,150,000	100	Production and sale of biochemicals
COFCO Bio-Chemical Energy (Gongzhuling) Co., Ltd.***	The PRC/ Mainland China	US$71,880,000	100	Production and sale of biochemicals
Jilin COFCO Bio-chemical Energy Sales and Distributions Co., Ltd.****	The PRC/ Mainland China	RMB10,000,000	100	Sale of biochemicals
COFCO Rongs Biotech Co., Ltd.***	The PRC/ Mainland China	RMB120,000,000	100	Production and sale of biochemicals
中糧(上海)糧油食品發展有限公司****	The PRC/ Mainland China	RMB20,000,000	100	Packaging and sale of agricultural products
Cheerlink International Limited	BVI/Hong Kong	Ordinary US$2	100	Investment holding
Jilin COFCO Biochemistry Packaging Co., Ltd.***	The PRC/ Mainland China	RMB42,500,000	100	Production and sale of biochemistry packaging
Yellow Dragon Food Industry Co. Ltd.**	The PRC/ Mainland China	US$54,053,300	59.44	Production and sale of biochemicals
COFCO Food Science & Technology (Wuhan) Co., Ltd.***	The PRC/ Mainland China	RMB104,469,900	100	Production and sale of biochemicals
COFCO Flour Holdings Limited	BVI/Hong Kong	Ordinary US$3	100	Investment holding
COFCO Flour Industry (Puyang) Co., Ltd.***	The PRC/ Mainland China	RMB35,000,000	80	Production and sale of wheat products

38. Particulars of Principal Subsidiaries (continued)

Name	Place of incorporation/ registration and business	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company	Principal activities
COFCO Flour Industry (Dezhou) Co., Ltd.**	The PRC/ Mainland China	RMB68,269,842	95	Production and sale of wheat products
Shenyang Xiangxue Flour Limited Liability Company**	The PRC/ Mainland China	RMB106,108,449	68.71	Production and sale of wheat products
COFCO Flour Industry (Qinhuangdao) Pangthai Co., Ltd.***	The PRC/ Mainland China	US$17,340,000	100	Production and sale of wheat products
COFCO Flour Industry (Taixing) Co., Ltd.***	The PRC/ Mainland China	HK$55,387,600	100	Production and sale of wheat products
COFCO TTC (Beijing) Foods Co., Ltd.***	The PRC/ Mainland China	US$7,550,000	51	Production and sale of wheat products
COFCO Flour Industry (Luohe) Co., Ltd.***	The PRC/ Mainland China	RMB100,000,000	100	Production and sale of wheat products
COFCO Flour Marketing Management (Beijing) Co., Ltd.****	The PRC/ Mainland China	RMB2,800,000	100	Sale of wheat products
COFCO Flour Industry (Haining) Co., Ltd.**	The PRC/ Mainland China	HK$453,704,159.49	94.33	Production and sale of wheat products
Conomer Investments Limited	BVI/Hong Kong	Ordinary US$1	100	Investment holding
Zhengzhou Haijia Food Co., Ltd.**	The PRC/ Mainland China	RMB30,000,000	55	Production and sale of wheat products
Sunny World Limited	BVI/Hong Kong	Ordinary US$1	100	Investment holding

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38. Particulars of Principal Subsidiaries (continued)

Name	Place of incorporation/ registration and business	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company	Principal activities
Xiamen Haijia Flour Mills Co., Ltd.**	The PRC/ Mainland China	RMB89,955,000	60	Production and sale of wheat products
COFCO Feed (Dongtai) Co., Ltd.**	The PRC/ Mainland China	RMB62,500,000	85.28	Production and sale of feed
COFCO Feed (Peixian) Co., Ltd.***	The PRC/ Mainland China	HK$42,000,000	100	Production and sale of feed
COFCO Feed (Xinyi) Co., Ltd.***	The PRC/ Mainland China	HK$46,000,000	100	Production and sale of feed
COFCO Feed (Huangshi) Co., Ltd.***	The PRC/ Mainland China	US$6,000,000	100	Under construction
COFCO Feed (Tangshan) Co., Ltd.***	The PRC/ Mainland China	RMB52,500,000	100	Under construction
中糧（鄭州）糧油工業有限公司***	The PRC/ Mainland China	RMB313,000,000	100	Production and sale of wheat products
中糧（成都）糧油工業有限公司***	The PRC/ Mainland China	US$83,330,000	100	Production and sale of rice, wheat, feed and biochemicals
中糧（昌吉）糧油工業有限公司***	The PRC/ Mainland China	US$45,550,000	100	Under construction

* Audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network

** Sino-foreign equity joint ventures

*** Wholly-foreign-owned enterprises

**** Domestic-funded enterprises

Zhangjiagang COFCO East Ocean Storage Co., Ltd. is a subsidiary of a non-wholly-owned subsidiary of the Company and, accordingly, is accounted for as a subsidiary by virtue of the Company's control over it.

38. Particulars of Principal Subsidiaries (continued)

Except for China Agri Oils Trading Limited, China Agri Trading (HK) Limited and Charm Power Limited, the statutory audits for the above subsidiaries were not performed by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

Except for China Agri-Industries Limited, COFCO Agri-Industries Management Co., Ltd. and Glory River Holdings Limited, all of the above subsidiaries are indirectly held by the Company.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

39. Particulars of Principal Associates

Particulars of the principal associates as at 31 December 2013 are as follows:

Name	Particulars of issued shares held	Place of incorporation/ registration and business	Percentage of ownership interest attributable to the Group	Principal activities
Great Ocean Oil and Grains Industries (Fang Cheng Gang) Co., Ltd.	US$69,500,000	The PRC	40	Soybean oil extraction, and refining packaging and production of soybean meal
Laiyang Luhua Fragrant Peanut Oil Co., Ltd. #	US$19,219,300	The PRC	24	Production and sale of peanut oil
Shandong Luhua Fragrant Peanut Oil Co., Ltd. #	RMB197,284,200	The PRC	24	Production and sale of peanut oil
COFCO Northsea Oils & Grains Industries (Tianjin) Co., Ltd. #	US$51,557,000	The PRC	50.44	Production and sale of edible oil
Lassiter Limited *#	Ordinary share US$100	Samoa	49	Investment holding*
Shenzhen Nantian Oilmills Co., Ltd. #	US$10,000,000	The PRC	20	Oilseeds processing
Jilin Fuel Ethanol Co., Ltd. #	RMB1,200,000,000	The PRC	20	Production and sale of biofuel and biochemicals

* Lassiter Limited has a 61.74% equity interest in Shenzhen Southeast Grains Industries Ltd., a Sino-foreign equity joint venture registered in the PRC, the principal activity of which is the production and sale of wheat products in Mainland China.

\# Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

The above table lists the associates of the Group which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other associates would, in the opinion of the directors, result in particulars of excessive length.

All of the above associates are indirectly held by the Company.

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40. Financial Instruments by Category

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Financial assets

2013	Group Financial assets at fair value through profit or loss HK$'000	Loans and receivables HK$'000	Available-for-sale investments HK$'000	Total HK$'000
Available-for-sale investments	**–**	**–**	**1,691,617**	**1,691,617**
Accounts and bills receivables	**–**	**4,224,776**	**–**	**4,224,776**
Financial assets included in prepayments, deposits and other receivables*	**–**	**1,556,772**	**–**	**1,556,772**
Derivative financial instruments	**525,522**	**–**	**–**	**525,522**
Due from related parties	**–**	**6,603,226**	**–**	**6,603,226**
Pledged deposits	**–**	**663**	**–**	**663**
Cash and cash equivalents	**–**	**13,943,724**	**–**	**13,943,724**
Total	**525,522**	**26,329,161**	**1,691,617**	**28,546,300**

2012	Financial assets at fair value through profit or loss HK$'000	Loans and receivables HK$'000	Available-for-sale investments HK$'000	Total HK$'000
Available-for-sale investments	–	–	1,276,779	1,276,779
Accounts and bills receivables	–	4,163,086	–	4,163,086
Financial assets included in prepayments, deposits and other receivables*	–	2,339,559	–	2,339,559
Derivative financial instruments	333,318	–	–	333,318
Due from related parties	–	4,435,867	–	4,435,867
Pledged deposits	–	21,708	–	21,708
Cash and cash equivalents	–	9,387,222	–	9,387,222
Total	333,318	20,347,442	1,276,779	21,957,539

* Included in "Prepayments, deposits and other receivables" of HK$4,175,051,000 (2012: HK$4,888,234,000) in the consolidated statement of financial position are prepayments to suppliers of HK$1,239,846,000 (2012: HK$1,307,032,000), and deposits relating to commodity futures contracts of HK$953,632,000 (2012: HK$1,866,600,000) and other miscellaneous prepayments, deposits and other receivables of HK$1,981,573,000 (2012: HK$1,714,602,000), of which HK$1,556,772,000 (2012: HK$2,339,559,000) are financial assets as disclosed above.

40. Financial Instruments by Category (continued)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: (continued)

Financial liabilities

	Group		
2013	**Financial liabilities at fair value through profit or loss HK$'000**	**Financial liabilities at amortised cost HK$'000**	**Total HK$'000**
Accounts and bills payables	–	**7,989,018**	**7,989,018**
Other payables*	–	**3,173,812**	**3,173,812**
Interest-bearing bank and other borrowings	–	**32,155,967**	**32,155,967**
Convertible bonds	–	**1,234,718**	**1,234,718**
Due to related parties	–	**1,777,187**	**1,777,187**
Total	–	**46,330,702**	**46,330,702**

2012	**Financial liabilities at fair value through profit or loss HK$'000**	**Financial liabilities at amortised cost HK$'000**	**Total HK$'000**
Accounts and bills payables	–	3,434,745	3,434,745
Other payables*	–	3,497,540	3,497,540
Derivative financial instruments	123,734	–	123,734
Interest-bearing bank and other borrowings	–	28,291,174	28,291,174
Convertible bonds	–	3,897,751	3,897,751
Due to related parties	–	789,793	789,793
Total	123,734	39,911,003	40,034,737

* Included in "Other payables and accruals" of HK$5,688,371,000 (2012: HK$6,262,168,000) in the consolidated statement of financial position are advances from customers of HK$1,594,842,000 (2012: HK$1,742,527,000), accrued staff payroll and benefits of HK$453,029,000 (2012: HK$371,938,000), and other miscellaneous payables and accruals of HK$3,640,500,000 (2012: HK$4,147,703,000), of which HK$3,173,812,000 (2012: HK$3,497,540,000) are financial liabilities as disclosed above.

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40. Financial Instruments by Category (continued)

The carrying amounts of each of categories of financial instruments as at the end of the reporting period are as follows: (continued)

Financial assets

	Company	
	2013	**2012**
	Loans and receivables	**Loans and receivables**
	HK$'000	**HK$'000**
Due from subsidiaries	**1,780,634**	5,914,957
Financial assets included in prepayments, deposits and other receivables	**1,070**	9,005
Cash and cash equivalents	**1,169,180**	3,109,803
	2,950,884	9,033,765

Financial liabilities

	Company	
	2013	**2012**
	Financial liabilities at amortised cost	**Financial liabilities at amortised cost**
	HK$'000	**HK$'000**
Financial liabilities included in other payables and accruals	**48,878**	234,007
Due to subsidiaries	**926,707**	3,716,279
Due to an intermediate holding company	**1,071**	45,729
Interest-bearing bank and other borrowings	**2,013,824**	4,580,032
	2,990,480	8,576,047

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41. Fair Value and Fair Value Hierarchy of Financial Instruments

The carrying amounts and fair values of the Group's and the Company's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

Group

	Carrying amounts		Fair values	
	2013	2012	2013	2012
	HK$'000	HK$'000	HK$'000	HK$'000
Financial assets				
Derivative financial instruments	**525,522**	333,318	**525,522**	333,318
Due from related parties	**132,786**	77,092	**129,471**	72,304
	658,308	410,410	**654,993**	405,622
Financial liabilities				
Derivative financial instruments	–	123,734	–	123,734
Interest-bearing bank and other borrowings	**32,155,967**	28,291,174	**32,176,324**	28,297,916
	32,155,967	28,414,908	**32,176,324**	28,421,650

Company

	Carrying amounts		Fair values	
	2013	2012	2013	2012
	HK$'000	HK$'000	HK$'000	HK$'000
Financial liabilities				
Interest-bearing bank and other borrowings	**2,013,824**	4,580,032	**2,013,868**	4,580,453

The carrying amounts of all of the financial assets of the Company reasonably approximate to fair values.

Management has assessed that the fair values of cash and cash equivalents, the current portion of pledged deposits, trade receivables, trade and bills payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, amounts due from/to subsidiaries, and certain amounts due from/to related parties approximate to their carrying amounts largely due to the short term maturities of these instruments.

41. Fair Value and Fair Value Hierarchy of Financial Instruments (continued)

The Group's corporate finance team headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the chief financial officer and the audit committee. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

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

The fair values of the non-current balances due from related parties, interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The carrying amount of the liability portion of the convertible bonds approximates to its fair value, which has been estimated by discounting the expected future cash flows using an equivalent market interest rate for a similar convertible bond with consideration of the Group's own non-performance risk. The Group's own non-performance risk for derivative financial liabilities, interest-bearing bank and other borrowings and liability component of convertible bonds as at 31 December 2013 was assessed to be insignificant.

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

As at 31 December 2013, the marked to market value of the derivative asset position is net of a credit valuation adjustment attributable to derivative counterparty default risk. The changes in counterparty credit risk had no material effect on other financial instruments recognised at fair value.

41. Fair Value and Fair Value Hierarchy of Financial Instruments (continued)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value

Group

	Fair value measurement using			
As at 31 December 2013	**Quoted prices in active markets (Level 1) HK$'000**	**Significant observable inputs (Level 2) HK$'000**	**Significant unobservable inputs (Level 3) HK$'000**	**Total HK$'000**
Derivative financial instruments	**525,522**	**–**	**–**	**525,522**
As at 31 December 2012	**Level 1 HK$'000**	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
Derivative financial instruments	333,318	–	–	333,318

Liabilities measured at fair value

Group

As at 31 December 2013	**Quoted prices in active markets (Level 1) HK$'000**	**Significant observable inputs (Level 2) HK$'000**	**Significant unobservable inputs (Level 3) HK$'000**	**Total HK$'000**
Derivative financial instruments	**–**	**–**	**–**	**–**
As at 31 December 2012	**Level 1 HK$'000**	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
Derivative financial instruments	123,734	–	–	123,734

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41. Fair Value and Fair Value Hierarchy of Financial Instruments (continued)

Fair value hierarchy (continued)

Assets for which fair values are disclosed

Group

	Fair value measurement using			
	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	
As at 31 December 2013	**(Level 1)**	**(Level 2)**	**(Level 3)**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Due from related parties	**–**	**129,471**	**–**	**129,471**

As at 31 December 2012	(Level 1)	(Level 2)	(Level 3)	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Due from related parties	–	72,304	–	72,304

41. Fair Value and Fair Value Hierarchy of Financial Instruments (continued)

Fair value hierarchy (continued)

Liabilities for which fair values are disclosed

Group

	Fair value measurement using			
As at 31 December 2013	**Quoted prices in active markets (Level 1) HK$'000**	**Significant observable inputs (Level 2) HK$'000**	**Significant unobservable inputs (Level 3) HK$'000**	**Total HK$'000**
Interest-bearing bank and other borrowings	**–**	**32,176,324**	**–**	**32,176,324**

As at 31 December 2012	**(Level 1) HK$'000**	**(Level 2) HK$'000**	**(Level 3) HK$'000**	**Total HK$'000**
Interest-bearing bank borrowings	–	28,297,916	–	28,297,916

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41. Fair Value and Fair Value Hierarchy of Financial Instruments (continued)

Fair value hierarchy (continued)

Liabilities for which fair values are disclosed (continued)

Company

As at 31 December 2013	Fair value measurement using Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Interest-bearing bank and other borrowings	**–**	**2,013,868**	**–**	**2,013,868**

As at 31 December 2012	(Level 1) HK$'000	(Level 2) HK$'000	(Level 3) HK$'000	Total HK$'000
Interest-bearing bank and other borrowings	–	4,580,453	–	4,580,453

42. Financial Risk Management Objectives and Policies

The Group's principal financial instruments other than derivatives, comprise bank and other interest-bearing loans, convertible bonds, cash and cash equivalents and short term pledged deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as accounts and bills receivables, accounts and bills payables and balances with related parties, which arise directly from its operations.

The Group also enters into derivative transactions, including principally foreign currency forward contracts and commodity futures contracts. The purpose is to manage the currency risks and market price risk arising from the Group's operations and its sources of finance.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk, liquidity risk and market price risk. The Group's overall risk management programme focuses on minimising potential adverse effects of these risks with material impact on the Group's financial performance. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below. The Group's accounting policies in relation to derivatives are set out in note 2.4 to the financial statements.

42. Financial Risk Management Objectives and Policies (continued)

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term interest-bearing bank and other borrowings with a floating interest rate. The effective interest rates and terms of repayment of the interest-bearing bank and other borrowings of the Group are disclosed in note 26. It is the Group's policy to negotiate the terms of the interest-bearing bank and other borrowings in order to minimise the respective finance cost. It is also the Group's policy not to use any derivatives to hedge its exposure to interest rate risk.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings) and the Group's equity.

		Group	
	Increase/ (decrease) in basis points	**(Decrease)/ increase in profit before tax HK$'000**	**(Decrease)/ increase in equity HK$'000**
2013			
	100	**(31,396)**	**(25,242)**
	(100)	**31,396**	**25,242**
2012			
	100	(32,636)	(27,070)
	(100)	32,636	27,070

Foreign currency risk

The Group has transactional currency exposures. These exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies. Approximately 5% (2012: 6%) of the Group's sales are denominated in currencies other than the functional currency of the operating units making the sale, whilst almost 36% (2012: 41%) of costs are denominated in currencies other than the functional currency of the operating units incurring the purchases. The Group partially hedges purchases and sales that are denominated in United States dollars, at the discretion of management.

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2013

42. Financial Risk Management Objectives and Policies (continued)

Foreign currency risk (continued)

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the foreign exchange rate, with all other variables held constant, of the Group's profit before tax and the Group's equity.

		Group	
	Increase/ (decrease) in HK$ rate/ US$ rate %	(Decrease)/ increase in profit before tax HK$'000	(Decrease)/ increase in equity HK$'000
2013			
If Renminbi weakens against Hong Kong dollar	**5**	**–**	**(2,341,660)**
If Renminbi strengthens against Hong Kong dollar	**(5)**	**–**	**2,341,660**
If Renminbi weakens against United States dollar	**5**	**(1,514,378)**	**(1,217,543)**
If Renminbi strengthens against United States dollar	**(5)**	**1,514,378**	**1,217,543**
2012			
If Renminbi weakens against Hong Kong dollar	5	–	(2,484)
If Renminbi strengthens against Hong Kong dollar	(5)	–	2,484
If Renminbi weakens against United States dollar	5	(964,256)	(799,808)
If Renminbi strengthens against United States dollar	(5)	964,256	799,808

Results of the analysis as presented in the above table represent an aggregation of the effects on each of the Group entities' profit before tax and equity measured in the respective functional currencies, translated into Hong Kong dollars at the exchange rates ruling at the end of the reporting period for presentation purposes.

Credit risk

The Group has no significant concentration of credit risk. The carrying amount of the accounts receivable represents the Group's maximum exposure to credit risk in relation to its financial assets.

The Group monitors the exposure to credit risk on an ongoing basis and credit evaluations are performed on customers requiring credit over a certain amount. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. The credit risk on balances of cash and cash equivalents is low as these balances are placed with reputable financial institutions.

42. Financial Risk Management Objectives and Policies (continued)

Liquidity risk

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

Group

	2013			
	Within 1 year or on demand HK$'000	**1 to 2 years HK$'000**	**Over 2 years HK$'000**	**Total HK$'000**
Accounts and bills payables	**7,989,018**	**–**	**–**	**7,989,018**
Other payables	**3,173,812**	**–**	**–**	**3,173,812**
Interest-bearing bank and other borrowings	**30,423,026**	**1,185,963**	**1,018,299**	**32,627,288**
Convertible bonds	**12,065**	**1,281,678**	**–**	**1,293,743**
Due to related parties	**1,777,187**	**–**	**–**	**1,777,187**
	43,375,108	**2,467,641**	**1,018,299**	**46,861,048**

	2012			
	Within 1 year or on demand HK$'000	**1 to 2 years HK$'000**	**Over 2 years HK$'000**	**Total HK$'000**
Accounts and bills payables	3,434,745	–	–	3,434,745
Other payables	3,497,540	–	–	3,497,540
Derivative financial instruments	123,734	–	–	123,734
Interest-bearing bank and other borrowings	22,758,771	4,245,834	1,801,143	28,805,748
Convertible bonds	4,032,945	–	–	4,032,945
Due to related parties	789,793	–	–	789,793
	34,637,528	4,245,834	1,801,143	40,684,505

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2013

42. Financial Risk Management Objectives and Policies (continued)

Liquidity risk (continued)

The maturity profile of the Company's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

Company

	2013			
	Within 1 year or on demand HK$'000	1 to 2 years HK$'000	Over 2 years HK$'000	Total HK$'000
Due to subsidiaries	**926,707**	**–**	**–**	**926,707**
Due to an intermediate holding company	**1,071**	**–**	**–**	**1,071**
Other payables	**48,878**	**–**	**–**	**48,878**
Interest-bearing bank and other borrowings	**1,078,795**	**959,901**	**–**	**2,038,696**
Guarantees given to banks in connection with facilities granted to subsidiaries#	**10,865,400**	**–**	**–**	**10,865,400**
	12,920,851	**959,901**	**–**	**13,880,752**

	2012			
	Within 1 year or on demand HK$'000	1 to 2 years HK$'000	Over 2 years HK$'000	Total HK$'000
Due to subsidiaries	3,716,279	–	–	3,716,279
Due to an intermediate holding company	45,729	–	–	45,729
Other payables	234,007	–	–	234,007
Interest-bearing bank and other borrowings	116,286	3,680,714	959,816	4,756,816
Guarantees given to banks in connection with facilities granted to subsidiaries#	8,572,200	–	–	8,572,200
	12,684,501	3,680,714	959,816	17,325,031

In addition, the Company has unconditionally and irrevocably guaranteed the due payments of all sums to be payable of the convertible bonds issued by a subsidiary of the Company (note 27).

42. Financial Risk Management Objectives and Policies (continued)

Market price risk

The raw material costs and product selling prices of the Group's edible oil, soybean meal, and other related commodity products are substantially correlated to the prices of the future commodities markets. Market price risk arises from price fluctuations of raw material cost and product selling price during the delivery, production and storage processes. To minimise the Group's market price risk exposure, the Group enters into commodities futures contracts of soybeans, soybean meal, edible oil and corn.

The following table demonstrates the sensitivity to a reasonably possible change in the Group's major raw material prices, with all other variables held constant and no hedging investments available, of the Group's profit before tax and the Group's equity.

		Group	
	Change in raw materials prices %	**Change in profit before tax HK$'000**	**Change in equity HK$'000**
2013			
Soybeans	**5**	**1,669,374**	**1,297,156**
Corn	**5**	**655,003**	**498,184**
Rice	**5**	**349,771**	**129,210**
Barley	**5**	**81,532**	**77,386**
Wheat	**5**	**366,901**	**316,292**
2012			
Soybeans	5	1,713,539	1,402,130
Corn	5	561,101	444,861
Rice	5	371,882	257,477
Barley	5	89,533	88,730
Wheat	5	241,484	219,949

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2013 and 31 December 2012.

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2013

42. Financial Risk Management Objectives and Policies (continued)

Capital management (continued)

The Group monitors capital using a gearing ratio, which is net debt divided by equity attributable to owners of the Company. Net debt includes interest-bearing bank and other borrowings and convertible bonds, less cash and cash equivalents and pledged deposits. The gearing ratios as at the end of the reporting period were as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Interest-bearing bank and other borrowings	**32,155,967**	28,291,174
Convertible bonds	**1,234,718**	3,897,751
Less: Cash and cash equivalents	**(13,943,724)**	(9,387,222)
Pledged deposits	**(663)**	(21,708)
Net debt	**19,446,298**	22,779,995
Equity attributable to owners of the Company	**28,982,703**	27,054,979
Gearing ratio	**67.1%**	84.2%

43. Comparative Amounts

Certain comparative amounts have been reclassified to conform with the current year's presentation.

44. Approval of the Financial Statements

The financial statements were approved and authorised for issue by the board of directors on 26 March 2014.

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