中國糧油控股有限公司
CHINA AGRI-INDUSTRIES HOLDINGS LIMITED
Stock Code : 606

INCREASE OPERATIONAL EFFICIENCY

提升運營效率

2014 ANNUAL REPORT

2014
ANNUAL REPORT

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

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 meals

Major brands:

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

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 distiller's dried grains with solubles (DDGS)

Rice processing and trading business

Market position:

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

Major products:

Rice

Major brands:

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

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)

Brewing materials business

Market position:

A leading brewing material supplier in China

Major products:

Malt

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Corporate Information

Directors

Chairman of the Board and Non-executive Director
YU Xubo

Executive Directors
YUE Guojun (Managing Director)
SHI Bo

Non-executive Directors
NING Gaoning
CHI Jingtao
MA Wangjun

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

Audit Committee

LAM Wai Hon, Ambrose (Chairman)
Victor YANG
Patrick Vincent VIZZONE
ONG Teck Chye
CHI Jingtao
MA Wangjun

Remuneration Committee

Victor YANG (Chairman)
CHI Jingtao
MA Wangjun
LAM Wai Hon, Ambrose
Patrick Vincent VIZZONE
ONG Teck Chye

Nomination Committee

YU Xubo (Chairman)
CHI Jingtao
LAM Wai Hon, Ambrose
Victor YANG
Patrick Vincent VIZZONE
ONG Teck Chye

Executive Committee

YUE Guojun (Chairman)
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
Rabobank International (Hong Kong Branch)
Standard Chartered Bank (Hong Kong) Limited
The Bank of Tokyo-Mitsubishi UFJ, Ltd.

Investor Relations

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Company Website

www.chinaagri.com

Stock Code

606

Financial Highlights

For the year ended 31 December 2014

	Unit	2014	2013 (Restated)	Increase/ (Decrease)
Revenue:	HK$ million	**93,238.7**	94,543.0	(1%)
– Oilseeds processing	HK$ million	**53,713.5**	57,535.7	(7%)
– Biochemical and biofuel	HK$ million	**16,540.0**	15,514.1	7%
– Rice processing and trading	HK$ million	**7,746.4**	7,744.9	0%
– Wheat processing	HK$ million	**9,002.1**	8,560.2	5%
– Brewing materials	HK$ million	**2,738.8**	2,170.0	26%
– Corporate and others	HK$ million	**3,497.9**	3,018.1	16%
Profit/(Loss) before tax	HK$ million	**(338.2)**	2,236.7	(115%)
Operating profit/(loss) (segment results)	HK$ million	**(398.2)**	2,212.4	(118%)
Operating profit before depreciation and amortisation	HK$ million	**1,274.8**	3,641.0	(65%)
Operating margin	%	**(0.4)**	2.3	N/A
Profit/(Loss) attributable to owners of the Company	HK$ million	**(775.4)**	1,568.5	(149%)
Earnings/(Loss) per share:				
– Basic	HK cents	**(14.77)**	29.88	(149%)
– Diluted	HK cents	**(14.77)**	29.78	(150%)
Dividends per share for the year:				
– Interim	HK cents	**–**	3.1	N/A
– Proposed final	HK cents	**–**	4.1	N/A
Total assets	HK$ million	**78,561.3**	82,769.3	(5%)
Equity attributable to owners of the Company	HK$ million	**28,075.1**	28,982.7	(3%)
Closing price per share at year-end	HK$	**3.20**	3.87	(17%)
Market capitalisation at year-end	HK$ million	**16,799.6**	20,317.0	(17%)
Net asset value per share at year-end	HK$	**5.35**	5.52	(3%)
Net gearing ratio at year-end	%	**67.9**	67.1	N/A

Capacity Distribution

2014 Capacity

Unit: metric ton '000

Oilseeds Processing

Crushing Capacity	**11,580**
Jiangsu	3,600
Shandong	2,280
Guangxi	1,740
Tianjin	1,200
Hubei	840
Guangdong	720
Liaoning	600
Jiangxi	300
Anhui	300
Refining Capacity	**4,330**
Jiangsu	1,110
Tianjin	720
Shandong	660
Guangdong	440
Guangxi	420
Hubei	360
Jiangxi	180
Anhui	180
Chongqing	180
Liaoning	80

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

2014 Capacity

Unit: metric ton '000

Rice Processing and Trading

Rice Production Capacity	**2,445**
Heilongjiang	640
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	**195.3**
Henan	66
Liaoning	48
Hebei	19.8
Zhejiang	18
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 2014, China's economy faced greater downward pressure as reforms to the economic system deepened. Slower macroeconomic growth had an adverse impact on our markets as well as the end users of our products. Unusually, we did not see the traditional peak season effect in any of our major products. Across the board, we saw weak markets in oils, rice, wheat, feed grains and starch. At the same time, commodity price swings on the global market have been dramatic due to growing complexity in the global economy, which in turn reduced forward visibility and predictability. The agricultural processing sector experienced problems in both production and operations, with most companies showing declining performance. The oilseeds processing business of China Agri-Industries Holdings Limited ("China Agri" or the "Company") was hit hard. Price volatility was greater than anticipated and affected oilseed markets during much of the year, resulting in losses for the segment and the Company as a whole, despite stable and even positive performances by other business segments.

In terms of its stage of development, the Company is a domestic market leader, with competitive advantages across its business portfolio. It is now poised to translate these advantages to higher level of performance. We do not anticipate any impact on our business model or operational structure as a result of the short-term, cyclical issues we faced in 2014. We are in fact looking at the downturn as an opportunity to develop internal systems that will aid in our recovery and allow rapid progress in operations. Management has set out targets and objectives for internal systems development, and will be monitoring the implementation. The Board of Directors remains confident in sustaining long-term growth of the Company as it continues strengthening the foundation of the business.

The Company maintains high standards of corporate governance through its Board of Directors. Our directors are committed and have well defined management responsibilities. Management is held responsible for timely and transparent disclosure of business information to shareholders. We have a strict code of business ethics and endeavor to meet our community and social responsibilities, protect the environment, and provide benefits to the public through corporate philanthropy. We view both our code of ethics and corporate social responsibility as essential to sound business management and value creation. In order to support the national grain policy and to protect the interest of farmers, the Company participates in the national grain purchase and storage program as well as grain inventory auctions.

The "new norm" of China's economy in 2015 will set much higher standards for business, as consumer demand strengthens and industry moves up the value chain. Public policy is putting pressure on state-owned enterprises (SOEs) to improve profitability and become more dynamic and market-oriented. China Agri will take advantage of the momentum from SOE reforms to adopt a consumer-facing management style. It is extending its industrial value chain by introducing a development plan for refined and deep-processed food products as new growth drivers. COFCO Corporation, China Agri's parent company, has developed an international presence through acquiring assets in the upstream space that will provide many new prospects for future development, creating opportunities for China Agri as well. China Agri is currently in touch with these new assets for information exchange on markets and other matters, in order to learn new management techniques and gain knowledge in a variety of markets as well as learn ways to be more responsive to industry risks.

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 and aspiration.

YU Xubo
Chairman
Hong Kong, 25 March 2015

Managing Director's Report

In 2014, China Agri's overall performance fluctuated in a wide range due to the severity of the business environment for China's oil and grain processing industries, driving an aggregate loss of HK$775.4 million.

During the year, the greatest challenges were in the oilseeds processing business, exacerbated by soft downstream demand. Despite a rebound in profits in the fourth quarter, industry losses in the first six months and a volatile market in the third quarter translated into a full-year loss for the Company. Other business segments maintained smooth operations and steady growth. The biofuel business was profitable, and biochemicals boost earnings with its highly competitive products while corn processing faced a tough environment. In the rice processing business, the focus was on reducing costs and creating a better portfolio structure of end products in order to reduce losses, while building on its dominant position in terms of import channels and the geographical spread of domestic production. New capacity in our wheat processing business benchmarked against established factories, working to improve systems and operations in new geographic regions for the Company, in order to sustain growth in sales volume. The brewing materials business hit new records in sales volume and profitability by taking advantage of a stable, mature operating system and market opportunities.

As a major agricultural processing enterprise, China Agri has developed industry-leading operating and financial metrics, together with an impressive geographic spread in terms of its manufacturing, processing, and distribution assets. While losses in 2014 are unlikely to affect the Company's long-term development direction, management took note of the weak results for the year, and reflected on the need to improve and to strengthen its foundation in certain areas, particularly on its professional management capacity to cope with and adapt to the fast-changing market conditions, and developing a more complete set of systems integration for risk management.

Looking ahead to 2015, the external business environment will remain challenging. Despite an abundant supply of agricultural commodities in international markets and weaker raw materials prices, raw grain prices in China will remain at a high level due to policy support while slower economic growth will depress end demand for agricultural products. Overcapacity will squeeze margins in the oil and grain processing industries. In addition, the impact of increasing volatility of the renminbi exchange rates would present new challenges. Given the long-term trends for declining growth, overcapacity and intense competition in the domestic market, China Agri will work towards greater professionalisation, business acumen and operational efficiencies, while developing highly focused strategies to cope with critical industry and business issues.

Over the past three years, China Agri has made continuous progress with management benchmarking. In 2015, we will focus on combining benchmarking with building a learning organisation and process reengineering, in order to introduce a more scientific and systematic approach to management. Benchmark management tools will be applied to assessment and incentive systems in order to energise the business. China Agri will use its fundamental risk management and producer competencies to improve the competitiveness of its products as well as to extend the depth and scope of the product chain to meet customer demand. We will use research and development to support our capacity as a technology and solutions provider, as well as to produce innovations and advances in our business model and adapt to market competition.

YUE Guojun
Managing Director
Hong Kong, 25 March 2015

CHINA AGRI-INDUSTRIES HOLDINGS LIMITED

Management Discussion and Analysis

+Oilseeds Processing Business

+Biochemical and Biofuel Business

+Rice Processing and Trading Business

+Wheat Processing Business

+Brewing Materials Business

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 meals, which are sold under the brand names "Fuzhanggui" (福掌柜), "Sihai" (四海), "Xiyingying" (喜盈盈) and "Guhua" (谷花).

During the year under review, international soybean prices first rose due to tight old-crop stockpiles in the United States before falling on harvest pressures from bumper new crops. An excessive supply in the domestic market along with weak consumption drove product prices to record historical lows. Oilseed meal prices were depressed as a result of sluggishness in the downstream breeding industry. Volatility in the vegetable oil and oilseed meal markets posed great challenges to the industry, especially in the first half of the year.

From an operational perspective, the oilseeds processing business maintained stable production and operations in 2014. Sales volume of major products rose 10.5% year on year to 9,936,000 metric tons. Nevertheless, the business reported a year-on-year decrease of 6.6% in revenue to HK$53,713.5 million due to an overall decline in product prices. Price fluctuations impacted earnings. Industry-wide losses in the first half of the year and a further downturn in the third quarter hurt the Company's performance. As inventory costs gradually came down in the fourth quarter, as the Company worked to optimise its cost structure, the oilseeds processing business ended the year with a smaller loss. The Company responded to a complex business environment by reorganising and applying value analysis to every link of its supply chain and implementing stringent cost controls. These processes helped to strengthen and improve management.

MANAGEMENT DISCUSSION AND ANALYSIS

As of 31 December 2014, the Company operated a total of 17 oilseeds-processing plants in Liaoning, Tianjin, Shandong, Jiangsu, Guangxi, Hubei, Jiangxi, Anhui, Chongqing, Guangdong, and Xinjiang. The plants had a combined annual crushing capacity of 11,580,000 metric tons and a combined refining capacity of 4,330,000 metric tons, collectively representing one of China's largest crushing and refining operations.

In 2015, current market forecast indicates oversupply and slower demand trend for soybeans in the international market. Raw material prices are likely to stay low and fluctuate within a narrow range. As slower economic growth becomes the new norm in China, there will be supply pressure on product markets while demand will remain soft. Given the complexity of the market, the Company will aim at operational stability. Meanwhile, it will strengthen market research and risk management, factory-level management, sales channels, and resource allocation. It will seek to meet challenges proactively and strive for stability.

MANAGEMENT DISCUSSION AND ANALYSIS

Biochemical and Biofuel Business

In 2014, the Company's biochemical and biofuel revenues totaled HK$16,540.0 million, an increase of 6.6% year-on-year. The segment's gross margin fell slightly to 12.0% from 13.5% in 2013.

Biochemical Business

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

During the year under review, corn prices trended up despite an abundant supply on the domestic market. The main factors supporting high prices were the government's stockpiling and auction policies and its incentive program to subsidise transport of northern grain to southern consuming markets. However, demand for downstream products was weak, with soft prices for cornstarch. Market competition put pressure on profits in the sweetener segment as well. In response to these challenges, the Company monitored the government corn reserves and auction policies, and adopted flexible procurement strategies in order to reduce cost pressure, while using its strengths in geographic distribution to participate in the temporary corn reserve scheme in order to earn extra income.

Over the course of 2014, the Company leveraged its technological superiority and high quality products in order to expand market share, while upgrading customer services to reinforce strategic partnerships with key customers. Sales volume of sweeteners rose by 17.8% year-on-year to 681,000 metric tons. As a result, segment revenue for biochemical increased year-on-year despite falling product prices.

As of 31 December 2014, 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. The Company's MSG facility in Heilongjiang, which has a production capacity of 100,000 metric tons, increased capacity utilisation and is on its way to stabilising production volumes.

In 2015, corn supply will remain plentiful on the domestic market. The government policy will be the major factor affecting prices. The Company will focus on monitoring government reserve and auction

MANAGEMENT DISCUSSION AND ANALYSIS

policies, adopt flexible procurement strategies to control raw material costs. In addition, the Company will use benchmark management strategies to strengthen professional capacity, operational efficiency and cost management across this business segment in response to the weakness in the industry. By leveraging its competitive advantages in technical know-how and its diversified customer base, the Company will be able to increase the sales of sweeteners, MSG and other downstream products, making use of pricing premiums and an upgraded product mix to generate profits.

Biofuel Business

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

During 2014, the market for fuel ethanol reflected cyclical factors. In the first half, prices were high. However, during the second half of 2014, a sustained slide in gasoline prices put pressure on settlement prices for fuel ethanol, affecting earnings to a certain extent. Despite these adverse impacts, the Company was able to reduce costs and expenses on a year-on-year basis, by making improvements in business processes that increased production and operational efficiencies. Profit in the first half helped the Company to end the year with increased earnings.

As of 31 December 2014, the Company had one factory in Heilongjiang and one factory in Guangxi. Combined production capacity of the two factories was 600,000 metric tons of fuel ethanol, anhydrous ethanol, and consumable alcohol.

International prices for crude oil have been depressed due to a combination of oversupply and geopolitical factors, hurting prices on the domestic market for both gasoline and fuel ethanol. These business challenges are likely to continue into 2015. In order to overcome these industry hurdles, the Company will work to source low-cost feedstock by making use of its competitive advantage in procurement and seek appropriate cost-saving strategies in every phase of production phase. Moreover, the Company will remain attentive to gasoline price movements and make prompt adjustments to production and sales of fuel ethanol. The Company will seek support from regulators for fuel ethanol producers during this period when low gasoline prices are affecting profitability.

MANAGEMENT DISCUSSION AND ANALYSIS

Rice Processing and Trading Business

China Agri is 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 package rice products are primarily sold under the brands “Fortune” (福临门), “Five Lakes” (五湖) and “Jinying” (金盈). The key markets for its international trading business include Japan, South Korea, Hong Kong, and Macau as well as other major rice-consuming and producing regions within Asia.

In 2014, demand for rice in China remained stable. The floor price imposed by the government provided periodic support for paddy prices. Access to low-cost grains and the ability to dominate market channels were key competitive advantages in the industry. In the package rice business, the industry saw higher levels of demand for mid-to-high-end products. As industry leaders continued to invest in the package rice market, industry consolidation combined with increasing brand awareness and sensitivity on the part of the consuming public.

The Company’s rice business had total revenue of HK$7,746.4 million, with domestic sales of 1,033,000 metric tons, and export sales of 228,000 metric tons. After a few years of relentless effort, the rice business has established a national sales network for its small package rice products. It has focused on brand development, expansion of the supply chain, and sales, which has led to a steady expansion of scale in its small package rice business. It has also expanded its product mix in support of premium pricing. Operations costs have come down, reflecting a nation-wide network of factories close to grain supplies. Lower procurement costs and higher capacity utilisation rates are reflected in an increase in segment gross margin to 9.7%.

As of 31 December 2014, the Company operated 17 rice-processing plants in Heilongjiang, Liaoning, Jiangsu, Jilin, Jiangxi, Anhui, Ningxia, Sichuan, Hubei and Hunan, with a combined annual production capacity of 2,445,000 metric tons, some of which are

MANAGEMENT DISCUSSION AND ANALYSIS

newly completed and have been put into operation. The Company has a network of factories covering the nation's main paddy rice-producing regions, which provides direct access to raw materials.

In 2015, the small package rice market will offer many opportunities. The Company will continue to expand the market for branded rice. It will increase the number of sales channels via third-party distributors, direct sales, and e-commerce, leading to increased scale and better capacity utilisation. In order to grow the business further, the Company will introduce more efficient organisation to its supply chain networks and management systems. As state reserve policies will retain an influential role in grain pricing, the Company will adapt its procurement strategy to these policies and to domestic grain markets while maintaining strict control over raw material costs and taking advantage of import channels as international pricing and availability permit.

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, which are sold under the brand names “Xiangxue” (香雪) and “Fortune” (福临门).

In 2014, despite ample harvests, prices were high for domestic wheat supplies due to price support policies. On the demand side, there were slower sales for downstream products as well as a weak feed grain market, putting downward pressure on bran prices and reducing overall profit margins for wheat processors. At the same time, major wheat processors increased capacity, accelerating industry consolidation and leading to heightened competition among players.

During the year, the Company’s wheat processing business reported revenue of HK$9,002.1 million. Sales volume of flour increased 2.6% year-on-year to 1,816,000 metric tons, while sales volume of noodles increased 5.0% year-on-year to 110,000 metric tons. The Company focused on key customers nationwide. In its new production plants, it stressed the strengthening of its sales and marketing capacity to better serve local markets by establishing a sales network for its branded wheat products. At the same time, it launched its small-package product business in key cities. The business segment’s gross margin remained low at 5.8%, as a result of both sluggish demand and intensified competition.

As of 31 December 2014, the Company operated 13 plants in Henan, Zhejiang, Hebei, Jiangsu, Liaoning, Sichuan, Fujian, Shandong and Beijing, with total annual processing capacity of 3,451,000 metric tons of wheat, 195,000 metric tons of noodles and around 2,000 metric tons of bread products.

Looking ahead, the overall market will be affected by a slower pace of growth in the national economy as well as high levels of industry restructuring and consolidation. 2015 will see intensified competition in the domestic wheat processing industry.
The Company will make use of its traditional advantages in its key customers business, integrated management and customer services, in order to increase sales volumes and improve operational efficiency. In addition, the roll out of promotion campaign for its branded products will diversify the Company’s business model and help to reinforce its leading market position.

MANAGEMENT DISCUSSION AND ANALYSIS

Brewing Materials Business

The Company is a leading supplier of brewing materials in China. It is engaged in the production and sales of malt. Sales are to the domestic market and other Asian countries and regions.

China's beer market entered a mature stage with slower growth in terms of demand in 2014. Despite the slower growth rate, demand for imported brewery materials boomed on lower domestic production of barley. Increased levels of purchasing of feed barley from domestic sources was another factor maintaining strong prices for imported barley, translating into cost pressures, despite ample global supply.

During the year under review, the Company used its distribution, geographic, and scale advantages in the competition for imported product, relying on its extensive network of import channels for barley as well as the location and scale of its coastal plants to fill its processing pipeline. The Company also capitalised on the FIFA World Cup football season to explore demand for high-quality and differentiated malt products with its large brewery customers. Sales of malt products increased 38.7% year-on-year to a record 687,000 metric tons in 2014, delivering revenue of HK$2,738.8 million. The Company leveraged its supply chain to enhance operational efficiency and lower production costs. Segment gross margin reached a record high in the Company's history.

As of 31 December 2014, the combined annual processing capacity of the Company's three malt-processing plants in Liaoning, Jiangsu and Inner Mongolia was 740,000 metric tons. The plants in Liaoning and Jiangsu are close to coastal ports. Their location made it possible to respond to the demand trend for mid-to-high-end products. The plant in Inner Mongolia produces brewing materials using domestic sources of barley, satisfying the demand for diversified products.

In 2015, malt consumption will remain stable while the brewing materials business will face challenges caused by high inventory levels among breweries. As the brewery industry restructures and consolidates, market structure will undergo certain changes. The malt market will see a continued migration towards high-end and differentiated products. While maintaining its traditional competence in procurement, the Company will follow the current trend towards developing downstream businesses and higher value-added products. It will seek to leverage its advantage in scale and technology, improve product quality and introduce price premiums reflecting market demand and increased product quality. It will also work on optimising its customer base. All of these will help to support its dominant position in the industry.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Overview of Financial Results for the Year Ended 31 December 2014

Revenue

	2014 HK$ million	2013 HK$ million
Business units:		
Oilseeds processing	**53,713.5**	57,535.7
Biochemical and biofuel	**16,540.0**	15,514.1
Rice processing and trading	**7,746.4**	7,744.9
Wheat processing	**9,002.1**	8,560.2
Brewing materials	**2,738.8**	2,170.0
Corporate and others	**3,497.9**	3,018.1
	93,238.7	94,543.0

Sales volume of major products of the Group grew steadily during the year ended 31 December 2014, while prices of major products fell. The impact of weak prices was felt in a decline of 1.4% in revenue to HK$93,238.7 million from a year earlier.

Gross Profit and Gross Profit Margin

During the year, the gross profit of the Group dropped by HK$1,374.3 million to HK$4,329.2 million from a year earlier as restated. Overall gross profit margin was 4.6% (2013: (restated) 6.0%). During the year, the oilseeds processing industry faced major challenges, which impacted the gross profit margin of the Group's oilseeds segment. Gross profit was stable in the biochemical and biofuel business. The rice processing and trading business increased its gross profit margin by upgrading its product portfolio and increasing operational efficiency. Gross profit margin declined in the wheat processing business as a result of intense competition within the industry and sluggish demand for its products. Rising demand for imported malt helped the brewing materials business to post a record high in both sales volume and gross profit, making it possible to maintain profitability above the industry average.

Other Income and Gains

During the year, the Group used cash management effectively to offset part of the exchange losses on Renminbi depreciation against United States dollars, as well as to generate more interest income. Other income and gains of the Group decreased by HK$469.2 million year-on-year to HK$1,625.0 million, due to the significant exchange gain earned on Renminbi appreciation in 2013.

MANAGEMENT DISCUSSION AND ANALYSIS

Selling and Distribution Expenses

Selling and distribution expenses were HK$3,318.2 million (2013: HK$3,170.0 million) for the year ended 31 December 2014, representing 3.6% (2013: 3.4%) of total revenue of the Group. The increase in the selling and distribution expenses was due to higher logistics costs arising from the increase in sales volume of sweeteners and malt products during the year.

Administrative Expenses

Administrative expenses consist of employee compensation, depreciation and amortisation, as well as daily operating costs. During the year, administrative expenses of HK$1,971.3 million was comparable to the 2013 expenses for this line item, due to the Group's efforts to monitor operating expenses and reduce wastage in daily operations.

Finance Costs

During the year, finance costs of the Group rose 9.4% from a year earlier to HK$650.5 million due to an increase in overall average bank borrowings even with a decline in average lending rates. An analysis of finance costs by category is as follows:

	2014 HK$ million	2013 HK$ million
Interest on:		
Bank loans wholly repayable within five years	**564.3**	394.4
Bank loans wholly repayable over five years	**37.5**	32.6
Loans from fellow subsidiaries wholly repayable within five years	**17.2**	62.5
Loans from the ultimate holding company wholly repayable within five years	**12.8**	26.3
Loans from an intermediate holding company wholly repayable within five years	**1.4**	49.2
Convertible bonds	**33.6**	75.3
Total interest expenses on financial liabilities not at fair value through profit or loss	**666.8**	640.3
Less: Interest capitalised	**(16.3)**	(45.9)
	650.5	594.4

Loss Attributable to Owners of the Company

During the year, losses generated by the oilseeds processing business weighed upon other business segments, which recorded steady growth and stable performance while the oilseeds processing business faced unprecedented challenges in its operating environment. The Group posted a loss attributable to owners of the Company of HK$775.4 million (2013: (restated) a profit of HK$1,568.5 million).

MANAGEMENT DISCUSSION AND ANALYSIS

Final Dividend

The Board does not recommend the payment of a final dividend for the year ended 31 December 2014 (2013: 4.1 HK cents per share).

Significant Investments Held and Material Acquisitions and Disposals of Subsidiaries

On 11 August 2014, two non-wholly-owned subsidiaries of the Company, namely COFCO Excel Joy (Tianjin) Co., Ltd. ("COFCO Excel Joy") and Tianjin COFCO Excel Joy Lingang Storage Co., Ltd. ("Excel Joy Storage") entered into the Absorption and Merger Agreement. Pursuant to which, Excel Joy Storage has been merged and absorbed by COFCO Excel Joy in which the Group's shareholding has been adjusted. Further details are given on page 169 of this annual report.

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

Working Capital and Financial Policy

The Group closely monitors the liquidity of funding and the availability of financial resources to ensure 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. During the year, the Group's operations were financed primarily by accumulated surplus 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 internal use of funds through this treasury platform.

By closely monitoring its exposures to fluctuation in 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.

Cash and Bank Deposits

Cash and bank deposits (including pledged deposits) of the Group were HK$12,578.5 million as at 31 December 2014 (31 December 2013: HK$13,944.4 million). During the year, the Group recorded net cash inflow from operating activities of approximately HK$1,778.8 million (2013: (restated) HK$4,473.3 million). These funds were mainly denominated in Hong Kong dollars, Renminbi and United States dollars.

MANAGEMENT DISCUSSION AND ANALYSIS

Bank Loans and Other Borrowings

Total interest-bearing bank loans and other borrowings (including the liability component of convertible bonds) amounted to HK$31,635.8 million (31 December 2013: HK$33,390.7 million) as at 31 December 2014. 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 2014 HK$ million	31 December 2013 HK$ million
Within one year or on demand	**30,588.4**	30,233.4
In the second year	**513.3**	2,352.7
In the third to fifth years, inclusive	**182.3**	461.9
Beyond five years	**351.8**	342.7
	31,635.8	33,390.7

Interest-bearing bank loans carried annual interest rates ranging between 0.95% and 6.55% (31 December 2013: between 0.83% and 6.55%). Other borrowings (including the liability component of convertible bonds) carried annual interest rates ranging between 1.16% and 5.60% (31 December 2013: between 1.16% and 3.40%). These interest-bearing bank loans and other borrowings were denominated in Hong Kong dollars, Renminbi and United States dollars.

As at 31 December 2014, the Group has pledged assets, including property, plant and equipment and land use rights, with an aggregate carrying value of HK$593.1 million (31 December 2013: HK$371.9 million) to secure bank loans and banking facilities of the Group.

The Group had an unutilised committed banking facility of HK$620.2 million as at 31 December 2014 (31 December 2013: Nil). The Group will continue to obtain financing on an unsecured basis whenever possible and supplement such borrowings with secured financing.

Financial Ratios

The Group's financial ratios at 31 December 2014 and 31 December 2013 are set out below:

	31 December 2014	31 December 2013
Net gearing ratio (the ratio of net debts to shareholders' equity)	**67.9%**	67.1%
Liquidity ratio (the ratio of current assets to current liabilities)	**1.05**	1.10
Quick ratio (the ratio of current assets less inventories to current liabilities)	**0.62**	0.70

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. At 31 December 2014, net debt of the Group was HK$19,057.3 million (31 December 2013: HK$19,446.3 million).

MANAGEMENT DISCUSSION AND ANALYSIS

Capital Expenditures

The total capital expenditures of the Group for the year ended 31 December 2014 are tabulated below:

	2014 HK$ million	2013 HK$ million
Business units:		
Oilseeds processing	**1,238.2**	862.0
Biochemical and biofuel	**345.3**	1,025.9
Rice processing and trading	**239.8**	433.0
Wheat processing	**67.4**	147.6
Brewing materials	**53.0**	16.2
Corporate and others	**144.1**	334.4
	2,087.8	2,819.1

Capital Commitments

Please refer to note 36 of the Notes to financial statements of this annual report for the relevant details of capital commitments.

Human Resources

The Group employed 29,643 (31 December 2013: 30,146) staff as at 31 December 2014. The Group's employees are remunerated based on 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 2014 was approximately HK$2,210.1 million (2013: HK$2,110.4 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. Out of the total remuneration, pension scheme contribution amounted to HK$230.0 million (2013: HK$205.2 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 that would encourage them to work towards enhancing the value of the Company and its shares.

Besides, the Group encourages employee 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.

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 and restated as appropriate, is set out below:

RESULTS	2014 HK$'000	2013 HK$'000 (Restated)	2012 HK$'000 (Restated)	2011 HK$'000 (Restated)	2010 HK$'000 (Restated)
REVENUE	**93,238,734**	94,543,022	91,319,186	82,349,859	53,491,700
PROFIT FROM OPERATING ACTIVITIES	**297,424**	2,647,069	2,413,625	4,620,530	1,463,290
Finance costs	**(650,467)**	(594,429)	(883,683)	(888,658)	(376,878)
Share of profits and losses of associates	**14,796**	184,102	23,725	169,848	352,955
PROFIT/(LOSS) BEFORE TAX	**(338,247)**	2,236,742	1,553,667	3,901,720	1,439,367
Income tax expense	**(310,335)**	(417,761)	(189,106)	(568,791)	(185,994)
PROFIT/(LOSS) FOR THE YEAR	**(648,582)**	1,818,981	1,364,561	3,332,929	1,253,373
Attributable to:					
Owners of the Company	**(775,403)**	1,568,453	1,180,389	2,396,092	1,671,666
Non-controlling interests	**126,821**	250,528	184,172	936,837	(418,293)
	(648,582)	1,818,981	1,364,561	3,332,929	1,253,373
ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS					
TOTAL ASSETS	**78,561,321**	82,769,284	74,547,986	70,036,207	56,685,965
TOTAL LIABILITIES	**(46,139,547)**	(50,036,828)	(44,111,111)	(44,926,182)	(35,538,412)
NON-CONTROLLING INTERESTS	**(4,346,644)**	(3,749,753)	(3,429,030)	(3,146,272)	(2,089,268)
	28,075,130	28,982,703	27,007,845	21,963,753	19,058,285

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 2014, 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 of Hong Kong Limited (the "Listing Rules").

Corporate Governance Event Calendar 2014

Jan	Directors' briefing: Emergency response mechanism for food safety incidents.
Apr	The Company was awarded the "Best Investor Relations Company" at 4th Asian Excellence Recognition Awards 2014 by Corporate Governance Asia magazine.
	Mr. Shi Bo, Executive Director of the Company, was honoured with an "Asia's Best CFO" award at 4th Asian Excellence Recognition Awards 2014 by Corporate Governance Asia magazine.
	Directors' briefing: Risk management practices of our business division.
July	The Company ranked No. 74 on the Fortune China 500 list in 2014.
Sep	Thorough review and revision on the Corporate Governance Manual of the Board of Directors of the Company.
	Directors' briefing: Exploring the range of existing diversity of the Board through a benchmarking exercise.
Oct	The Company was awarded "The Greater China Awards for Corporates (Environment – Food)" at Asia Corporate Excellence Awards 2014 by The Asset magazine.

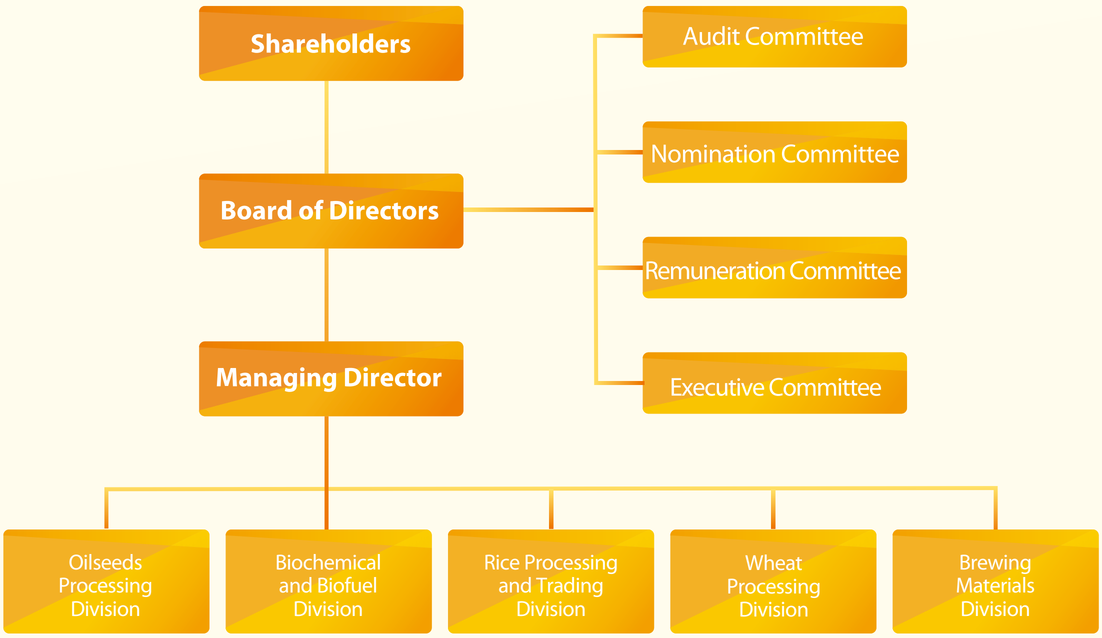
Securities Transactions by Directors and Relevant Employees

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 2014 in relation to their securities dealings, if any.

CORPORATE GOVERNANCE REPORT

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 inside 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 nine meetings (including four independent non-executive Directors' meetings, four regular Board meetings and one other meeting) during the year to, among other things, consider and approve the interim and annual results of the Group, discuss business strategy and consider financial budget for the year. 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	Other meeting
Chairman and Non-executive Director			
YU Xubo^	4/4	N/A	1/1
Executive Directors			
YUE Guojun	4/4	N/A	1/1
SHI Bo	4/4	N/A	1/1
Non-executive Directors			
NING Gaoning	1/4	N/A	0/1
CHI Jingtao*	N/A	N/A	N/A
MA Wangjun	4/4	N/A	1/1
WANG Zhiying#	4/4	N/A	1/1
Independent Non-executive Directors			
LAM Wai Hon, Ambrose	4/4	4/4	1/1
Victor YANG	4/4	4/4	1/1
Patrick Vincent VIZZONE	4/4	4/4	1/1

^ *re-designated as a non-executive Director on 10 November 2014*
* *appointed on 10 November 2014*
# *resigned on 10 November 2014*

The above table shows the positions held during the year. The latest composition of the Board is set out on page 1 of this annual report.

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

It is the practice of the Company that minutes of meetings of the Board and Board Committees be recorded in sufficient detail of the matters considered by the Board and Board Committees, decisions reached, including any concerns raised by the Directors or dissenting views expressed. Draft and final versions of minutes of the Board and/or Board Committees (as the case may be) are sent to the Directors, 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.

CORPORATE GOVERNANCE REPORT

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 two general meetings. The Directors (Messrs. Yu Xubo, Yue Guojun, Shi Bo, Wang Zhiying, 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 5 June 2014. The Directors (Messrs. Yue Guojun, Shi Bo, Lam Wai Hon, Ambrose, Victor Yang and Patrick Vincent Vizzone) together with the management and independent financial adviser's representatives attended the extraordinary general meeting held on 12 December 2014.

Chairman and Managing Director

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

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

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

Board Composition

Since February 2015, the number of Directors has been increased to ten, of which two are executive Directors, four are non-executive Directors, and four are independent non-executive Directors. 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.

CORPORATE GOVERNANCE REPORT

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 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.

Mr. Chi Jingtao, who was appointed in November 2014, was re-elected by shareholders at the extraordinary general meeting of the Company held on 12 December 2014. Therefore, pursuant to the above-mentioned Articles 106 and 111 of the Articles of Association, Messrs. Ning Gaoning, Ma Wangjun, Lam Wai Hon, Ambrose, Victor Yang and Ong Teck Chye will retire at the forthcoming 2015 annual general meeting of the Company and, being eligible, each of them have offered himself for re-election.

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.

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 Non-executive Director		
YU Xubo^	✓	✓
Executive Directors		
YUE Guojun	✓	✓
SHI Bo	✓	✓
Non-executive Directors		
NING Gaoning	✓	✓
CHI Jingtao*	✓	✓
MA Wangjun	✓	✓
WANG Zhiying#	✓	✓
Independent Non-executive Directors		
LAM Wai Hon, Ambrose	✓	✓
Victor YANG	✓	✓
Patrick Vincent VIZZONE	✓	✓

^ *re-designated as a non-executive Director on 10 November 2014*
* *appointed on 10 November 2014*
# *resigned on 10 November 2014*

The above table shows the positions held during the year. The latest composition of the Board is set out on page 1 of this annual report.

CORPORATE GOVERNANCE REPORT

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

Board Committees

Nomination Committee

The Nomination Committee was established on 16 February 2007 with specific written terms of reference in accordance with the requirements of the Code. 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. The Nomination Committee currently comprises Mr. Yu Xubo (chairman of the Board and non-executive Director) as the chairman of the Nomination Committee, Mr. Chi Jingtao (non-executive Director), Mr. Lam Wai Hon, Ambrose, Mr. Victor Yang, Mr. Patrick Vincent Vizzone and Mr. Ong Teck Chye (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 two meetings to review the composition of the Board and the Board Committees, 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 during the year 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)*	2	2	100%
CHI Jingtao*	N/A	N/A	N/A
WANG Zhiying#	2	1	50%
LAM Wai Hon, Ambrose	2	2	100%
Victor YANG	2	2	100%
Patrick Vincent VIZZONE	2	2	100%

* *appointed on 10 November 2014*
\# *resigned on 10 November 2014*

The latest composition of the Nomination Committee is set out on page 1 of this annual report.

CORPORATE GOVERNANCE REPORT

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 recommendation was adopted by the Board. Accordingly, the company secretary conducted a benchmarking exercise for the purposes of exploring the range of existing diversity and promoting discussion among Directors on various aspects of diversity. The Company thereafter engaged an executive search consultant to identify potential director talent to meet the needs of the Company. The Nomination Committee also reviewed the structure of the Board according to the board diversity policy. The Company will continue implement a number of programs to support our commitment to improve diversity. The focus for the year is on ensuring that diversity is integral to the nomination/appointment process and a deeper understanding of the range of existing diversity.

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 24 April 2015 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. The Remuneration Committee currently comprises Mr. Victor Yang (independent non-executive Director) as the chairman of the Remuneration Committee, Mr. Ma Wangjun and Mr. Chi Jingtao (non-executive Directors), Mr. Lam Wai Hon, Ambrose, Mr. Patrick Vincent Vizzone and Mr. Ong Teck Chye (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.

CORPORATE GOVERNANCE REPORT

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

During the year, the Remuneration Committee held three meetings to review the Company's performance assessment system and the remuneration packages of several executive Directors and senior management, and to make recommendation on the emolument of non-executive Directors. Details of attendance of each Remuneration Committee member during the year 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%
CHI Jingtao*	N/A	N/A	N/A
MA Wangjun	3	2	67%
WANG Zhiying#	3	2	67%
LAM Wai Hon, Ambrose	3	3	100%
Patrick Vincent VIZZONE	3	3	100%

* *appointed on 10 November 2014*
\# *resigned on 10 November 2014*

The latest composition of the Remuneration Committee is set out on page 1 of this annual report.

For the year ended 31 December 2014, the remuneration of senior management (excluding Directors) falls into two bands, three individuals in the range of HK$1,000,001–HK$2,000,000 and two individuals in HK$2,000,001–HK$3,000,000. Such amount includes equity-settled share option expenses and pension scheme contributions. Details of the remuneration of the Directors for the year ended 31 December 2014 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, Mr. Chi Jingtao and Mr. Ma Wangjun (non-executive Directors), Mr. Victor Yang, Mr. Patrick Vincent Vizzone and Mr. Ong Teck Chye (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 during the year 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%
CHI Jingtao*	1^	1	100%
MA Wangjun	3	3	100%
WANG Zhiying#	2^	2	100%

^ *by reference to the number of meetings held during his tenure*
* *appointed on 10 November 2014*
# *resigned on 10 November 2014*

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 Public Accountants	23
Association of Chartered Certified 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 Public Accountants.*

CORPORATE GOVERNANCE REPORT

Executive Committee

The Executive Committee was established on 27 February 2009 with specific written terms of reference. Previously, the Executive Committee had three members. After the re-designation of Mr. Yu Xubo as non-executive Director on 10 November 2014, the Executive Committee comprises two members, namely Mr. Yue Guojun, the Managing Director, as the chairman of the Executive Committee 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$5.1 million and HK$1.2 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 2014 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 2014 on 25 March 2015. An independent Auditors' Report is included in this annual report on pages 64 and 65.

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 departments which report directly to the Managing Director are 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 has recruited professionals to enrich the 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.

CORPORATE GOVERNANCE REPORT

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.

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 2014 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 2014 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 3 June 2015. 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 has 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. It continually updates investors on the Company's latest business developments in a timely manner. The team also regularly provides management with market feedback and opinions from the investment community to improve the governance and operations of the Company.

In 2014, the Company improved corporate transparency and the quality of information disclosure in the context of shifting performance. It used a variety of investor relations activities to address investor concerns in a timely manner, including regular one-on-one meetings, conference calls and luncheons with both current and potential shareholders and analysts. In its semi-annual press conferences and analyst presentations following the release of its results, the Company's management provided detail and colour on financial performance and business strategies. The Company's non-deal roadshows in Hong Kong and its participation in large-scale investor meetings organised by international investment banks also underlined its commitment to investor communications, in order to strengthen the market's understanding of the Company's business. The Company's general meeting and other events provided opportunities to communicate face-to-face with minority shareholders, reflecting management's commitment to full and fair disclosure to all shareholders.

The Company reviewed its shareholder structure regularly, monitoring changes to the shareholder base. As of 30 January 2015, the Company's shareholder base included institutional investors from all over the world. International investors accounted for 18.0% of the total issued shares of the Company. Within this group, institutional investors from North America accounted for 47.7%; Asian-based institutional investors accounted for 28.9%; European-based institutional investors accounted for 21.8%; and the rest of the world made up 1.6%. The Company maintained a stable and diversified shareholder base during the year.

During the year under review, two awards reflected the Company's commitment to sound corporate governance and active investor communications. The Fourth Asian Excellence Recognition Awards 2014, by Corporate Governance Asia magazine, named China Agri "Best Investor Relations Company" and named Mr. Shi Bo, Executive Director and Vice President of the Company, "Asia's Best CFO". A third award, from The Asset magazine, named the Company "The Greater China Awards for Corporates (Environment-Food)", reflected its strong program in environmental protection and sustainable development. Moreover, the Company is 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 and the Hang Seng Corporate Sustainability Benchmark Index.

The Company's business is covered by numerous investment banks and financial institutions. For a complete list of analysts, 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 on-going basis. Risk alerts, tracking and management are done and analysis reports on KRI are issued, based on identified information on risks.
- The KRI monitoring system is continually enhanced.
- Relevant risk management divisions are authorised to monitor and control potential significant risk areas of the Company and enhance the mechanism of risk management. Specifically regarding the risk of raw material prices volatility, the Company has strengthened its control efforts and optimised its risk management measures.
- Internal control self-assessment system is developed to foster internal controls in the Company.
- On-going training on risk management and internal control is implemented to cultivate a corporate culture of risk management.

RISK MANAGEMENT

In 2014, the Company's risk management system was further enriched and enhanced basing on the work accomplished in previous periods. Major tasks in 2014 are set out below:

1. Key Risk Indicators Monitoring System

We identified 33 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 4 significant risk factors in 2014, namely raw materials prices volatility risks, production safety risks, food safety risks and policies 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 of the Board & Non-executive Director

Mr. YU Xubo, aged 49, was appointed as Chairman of the Board and executive director in March 2012 and was re-designated as a non-executive director of the Company in November 2014. 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 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, as well as a director of certain subsidiaries of COFCO Group. 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 51, 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 48, 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, and is the general manager of finance department of the Company. Mr. Shi joined COFCO Group in 2005 and was the deputy general manager of the biochemical and biofuel division. 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 56, 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, as well as a director of certain subsidiaries of COFCO Group. Mr. Ning was a director of BOC International Holdings Limited until October 2014, an independent non-executive director of BOC Hong Kong (Holdings) Limited (a company listed in Hong Kong) until October 2014 and an independent director of Huayuan Property Co., Ltd. (a company listed on the Shanghai Stock Exchange) until November 2014. 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. CHI Jingtao, aged 52, was appointed as a non-executive director of the Company in November 2014 and was a non-executive director of the Company from January 2007 to March 2011. Mr. Chi joined COFCO Group in August 2003, and has been a vice president of COFCO Corporation since May 2010 and the general manager of COFCO Trading Ltd. since December 2013. Mr. Chi was an independent director of China Hainan Rubber Industry Group Co., Ltd. (a company listed on the Shanghai Stock Exchange) until November 2013. Since February 2011, Mr. Chi had been a board member of China Food Limited as an executive director until March 2013 and became a non-executive director until November 2014. Mr. Chi was the director of human resources department of COFCO Corporation from October 2004 to February 2011. From July 2012 to December 2013, Mr. Chi was the general manager of China Grain and Logistics Corporation. Prior to joining COFCO Group, Mr. Chi held various positions in China Minmetals Corporation, including the general manager of human resources department. Mr. Chi holds a Bachelor's degree in Engineering from the Academy of Armored Forces Engineering in Beijing and an Executive Master of Business Administration (EMBA) from the University of International Business and Economics in Beijing.

Mr. MA Wangjun, aged 50, 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 Joy City Property Limited (formerly known as COFCO Land Holdings Limited) and was a non-executive director of China Mengniu Dairy Company Limited until April 2012 (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.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

Independent Non-executive Directors

Mr. LAM Wai Hon, Ambrose, aged 61, 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. He is currently an independent non-executive director of Genting Hong Kong Limited.

Mr. Victor YANG, aged 69, 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 43, was appointed as an independent non-executive director of the Company in June 2007. Mr. Vizzone has over 20 years of experience in agribusiness and corporate and investment banking. 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, Asia and Head of Food & Agribusiness Advisory & Research, Asia) and The General Electric Company (Strategic Marketing & New Product Introductions Leader, GE Capital Asia Pacific). Before engaging in his banking career, he was a founding Director and Deputy General Manager at Shanghai Asia-Pacific International Vegetable Co. (SAPIV) and as a cofounder of China Green Concepts. Mr. Vizzone is a Fellow of the Hong Kong Institute of Directors. He also serves as the Vice Chair of the International Development Committee and Chair of the Global Strategy Task Force of the Produce Marketing Association. 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. ONG Teck Chye, aged 60, was appointed as an independent non-executive director of the Company in February 2015. Mr. Ong holds an honours degree in Sociology from University of Singapore (currently known as National University of Singapore). Mr. Ong had been the China country Agri-Business head from 2011 to 2014 and the head of international trading and marketing division from 2007 to 2011 of Golden Agri-Resources Ltd. He was the head of the Singapore petroleum trading division of Noble Group Limited (Hong Kong) from 2004 to 2006. Mr. Ong served as the department head of Marubeni International Petroleum Company Singapore Pte Ltd from 2001 to 2004. From 1980 to 2001, Mr. Ong held various trading positions in Cargill Singapore and Geneva, including the senior manager of structured trade finance department of Cargill Singapore. He has over 30 years' trading experience.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

Senior Management

Senior management of the Company consist of seven persons (of whom two are executive directors namely 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 include:

Ms. YANG Hong, aged 51, 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.

Mr. GU Lifeng, aged 47, has been a vice president of the Company since August 2014 and is the general manager of the oilseeds processing division of the Company. He previously worked in COFCO Group's grains division and in the export department of China Corn Exports Associated Co (中國玉米出口聯營公司). Besides, he was the deputy general manager of COFCO Grain & Oil Co. Ltd. and the general manager of its corn division. He was the deputy general manager of COFCO Trading Co., Ltd. and the general manager of its corn division. Mr. Gu holds a Bachelor's degree in Economics from Shanghai University of International Business and Economics.

Mr. REN Zhi, aged 56, 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 various 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.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

Mr. ZENG Xianfeng, aged 47, has been a vice president of the Company since March 2014, taking charge of management of new projects and overseeing integration of materials procurement. 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 general manager and executive deputy general manager of the oilseeds processing division of the Company and deputy general manager of its finance department. 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 49, 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 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") presents this annual report and the audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2014.

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 Dividend

The results of the Group for the year ended 31 December 2014 and the state of affairs of the Company and the Group as at that date are set out in the financial statements on pages 66 to 170.

The Board of Directors does not recommend the payment of a dividend for the year.

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 24 of this annual report. This summary does not form part of the audited financial statements.

Property, Plant and Equipment

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

Share Capital

Details of movements in the Company's share capital during the year, together with the reasons thereof, are set out in note 30 to the financial statements.

REPORT OF THE DIRECTORS

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 302,629,935 shares, which represented approximately 5.76% 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 shares 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 close associates (or his associates if such grantee is a connected person) 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%

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 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 2014 are as follows:

Share Options Granted on 7 August 2007

Category of participants	Date of grant (d-m-yyyy)	Exercise price per share (HK$)	Vesting date (d-m-yyyy)	Exercise period (d-m-yyyy)	Number of share options At 1 January 2014	Exercised	Lapsed	At 31 December 2014
(A) Directors								
NING Gaoning	7-8-2007	4.399	7-8-2009	7-8-2009 to 6-8-2014	148,400	–	148,400	–
			7-8-2010	7-8-2010 to 6-8-2014	148,400	–	148,400	–
			7-8-2011	7-8-2011 to 6-8-2014	148,400	–	148,400	–
			7-8-2012	7-8-2012 to 6-8-2014	148,400	–	148,400	–
			7-8-2013	7-8-2013 to 6-8-2014	148,400	–	148,400	–
					742,000	–	742,000	–
YU Xubo	7-8-2007	4.399	7-8-2009	7-8-2009 to 6-8-2014	148,400	–	148,400	–
			7-8-2010	7-8-2010 to 6-8-2014	148,400	–	148,400	–
			7-8-2011	7-8-2011 to 6-8-2014	148,400	–	148,400	–
			7-8-2012	7-8-2012 to 6-8-2014	148,400	–	148,400	–
			7-8-2013	7-8-2013 to 6-8-2014	148,400	–	148,400	–
					742,000	–	742,000	–
YUE Guojun	7-8-2007	4.399	7-8-2009	7-8-2009 to 6-8-2014	137,800	–	137,800	–
			7-8-2010	7-8-2010 to 6-8-2014	137,800	–	137,800	–
			7-8-2011	7-8-2011 to 6-8-2014	137,800	–	137,800	–
			7-8-2012	7-8-2012 to 6-8-2014	137,800	–	137,800	–
			7-8-2013	7-8-2013 to 6-8-2014	137,800	–	137,800	–
					689,000	–	689,000	–
MA Wangjun	7-8-2007	4.399	7-8-2009	7-8-2009 to 6-8-2014	127,200	–	127,200	–
			7-8-2010	7-8-2010 to 6-8-2014	127,200	–	127,200	–
			7-8-2011	7-8-2011 to 6-8-2014	127,200	–	127,200	–
			7-8-2012	7-8-2012 to 6-8-2014	127,200	–	127,200	–
			7-8-2013	7-8-2013 to 6-8-2014	127,200	–	127,200	–
					636,000	–	636,000	–
SHI Bo	7-8-2007	4.399	7-8-2009	7-8-2009 to 6-8-2014	106,000	–	106,000	–
			7-8-2010	7-8-2010 to 6-8-2014	106,000	–	106,000	–
			7-8-2011	7-8-2011 to 6-8-2014	106,000	–	106,000	–
			7-8-2012	7-8-2012 to 6-8-2014	106,000	–	106,000	–
			7-8-2013	7-8-2013 to 6-8-2014	106,000	–	106,000	–
					530,000	–	530,000	–
(B) Employees	7-8-2007	4.399	7-8-2009	7-8-2009 to 6-8-2014	1,973,832	–	1,973,832	–
			7-8-2010	7-8-2010 to 6-8-2014	4,716,792	–	4,716,792	–
			7-8-2011	7-8-2011 to 6-8-2014	4,716,792	–	4,716,792	–
			7-8-2012	7-8-2012 to 6-8-2014	4,716,792	–	4,716,792	–
			7-8-2013	7-8-2013 to 6-8-2014	4,716,792	–	4,716,792	–
					20,841,000	–	20,841,000	–
	Total				24,180,000	–	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$)	Vesting date (d–m–yyyy)	Exercise period (d–m–yyyy)	Number of share options: At 1 January 2014	Exercised	Lapsed	At 31 December 2014
(A) Directors								
NING Gaoning	31–3–2011	8.220	31–3–2013	31–3–2013 to 30–3–2018	127,200	–	–	127,200
			31–3–2014	31–3–2014 to 30–3–2018	127,200	–	–	127,200
			31–3–2015	31–3–2015 to 30–3–2018	127,200	–	–	127,200
			31–3–2016	31–3–2016 to 30–3–2018	127,200	–	–	127,200
			31–3–2017	31–3–2017 to 30–3–2018	127,200	–	–	127,200
					636,000	–	–	636,000
YU Xubo	31–3–2011	8.220	31–3–2013	31–3–2013 to 30–3–2018	127,200	–	–	127,200
			31–3–2014	31–3–2014 to 30–3–2018	127,200	–	–	127,200
			31–3–2015	31–3–2015 to 30–3–2018	127,200	–	–	127,200
			31–3–2016	31–3–2016 to 30–3–2018	127,200	–	–	127,200
			31–3–2017	31–3–2017 to 30–3–2018	127,200	–	–	127,200
					636,000	–	–	636,000
YUE Guojun	31–3–2011	8.220	31–3–2013	31–3–2013 to 30–3–2018	116,600	–	–	116,600
			31–3–2014	31–3–2014 to 30–3–2018	116,600	–	–	116,600
			31–3–2015	31–3–2015 to 30–3–2018	116,600	–	–	116,600
			31–3–2016	31–3–2016 to 30–3–2018	116,600	–	–	116,600
			31–3–2017	31–3–2017 to 30–3–2018	116,600	–	–	116,600
					583,000	–	–	583,000
MA Wangjun	31–3–2011	8.220	31–3–2013	31–3–2013 to 30–3–2018	116,600	–	–	116,600
			31–3–2014	31–3–2014 to 30–3–2018	116,600	–	–	116,600
			31–3–2015	31–3–2015 to 30–3–2018	116,600	–	–	116,600
			31–3–2016	31–3–2016 to 30–3–2018	116,600	–	–	116,600
			31–3–2017	31–3–2017 to 30–3–2018	116,600	–	–	116,600
					583,000	–	–	583,000
SHI Bo	31–3–2011	8.220	31–3–2013	31–3–2013 to 30–3–2018	106,000	–	–	106,000
			31–3–2014	31–3–2014 to 30–3–2018	106,000	–	–	106,000
			31–3–2015	31–3–2015 to 30–3–2018	106,000	–	–	106,000
			31–3–2016	31–3–2016 to 30–3–2018	106,000	–	–	106,000
			31–3–2017	31–3–2017 to 30–3–2018	106,000	–	–	106,000
					530,000	–	–	530,000
(B) Employees	31–3–2011	8.220	31–3–2013	31–3–2013 to 30–3–2018	8,614,800	–	453,600	8,161,200
			31–3–2014	31–3–2014 to 30–3–2018	8,477,000	–	315,800	8,161,200
			31–3–2015	31–3–2015 to 30–3–2018	8,477,000	–	379,400	8,097,600
			31–3–2016	31–3–2016 to 30–3–2018	8,477,000	–	379,400	8,097,600
			31–3–2017	31–3–2017 to 30–3–2018	8,477,000	–	379,400	8,097,600
					42,522,800	–	1,907,600	40,615,200
	Total				45,490,800	–	1,907,600	43,583,200

REPORT OF THE DIRECTORS

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. *The first batch of the share options, which were granted on 7 August 2007, has lapsed on 7 August 2014 due to the expiry of the exercise period.*

Additional information in relation to the Scheme is set out in note 31 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 32 to the financial statements and in the consolidated statement of changes in equity on page 70 of this annual report.

Distributable Reserves

As at 31 December 2014, the Company's reserves available for distribution amounted to approximately HK$3,932.0 million.

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 close 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.

REPORT OF THE DIRECTORS

Directors

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

NING Gaoning
YU Xubo
YUE Guojun
SHI Bo
CHI Jingtao*
MA Wangjun
WANG Zhiying#
LAM Wai Hon, Ambrose
Victor YANG
Patrick Vincent VIZZONE
ONG Teck Chye**

* *appointed on 10 November 2014, and re-elected on 12 December 2014*
\# *resigned on 10 November 2014*
** *appointed on 12 February 2015*

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. Ning Gaoning, Mr. Ma Wangjun, Mr. Lam Wai Hon, Ambrose and Mr. Victor Yang and, in accordance with Article 111, Mr. Ong Teck Chye 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 41 to 47 of this annual report.

Directors' Service Contracts

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

Directors' 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.

REPORT OF THE DIRECTORS

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$10.00 to HK$9.868 per share with effect from 14 June 2014 as a result of the payment of the 2013 final dividend. The particulars of convertible bonds are set out in note 28 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.

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

As at 31 December 2014, 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	–	636,000	0.01%
YU Xubo	Beneficial owner and interest of spouse (Note 3)	235,364	636,000	0.02%
YUE Guojun	Beneficial owner	460,000	583,000	0.02%
MA Wangjun	Beneficial owner	–	583,000	0.01%
SHI Bo	Beneficial owner	48,000	530,000	0.01%
Patrick Vincent VIZZONE	Beneficial owner	100,000	–	0.00%

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 2014, being 5,249,880,788 shares.*
3. *235,364 shares were held by the spouse of Mr. Yu Xubo.*

Interests in Underlying Shares of Associated Corporation

Name	Name of associated corporation	Capacity	Number of underlying shares held in long position (Note 1)	Percentage (Note 2)
NING Gaoning	China Foods Limited	Beneficial owner	740,000	0.03%
CHI Jingtao	China Foods Limited	Beneficial owner	740,000	0.03%

Notes:

1. *These underlying shares are share options granted pursuant to the share option scheme of China Foods Limited. These 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 2014, being 2,797,223,396 shares.*

Save as disclosed above, as at 31 December 2014, none of the Directors, chief executive or their respective close associates had any other Discloseable Interests.

Substantial Shareholders' Interests in the Shares of the Company

As at 31 December 2014, the following persons had an interest or short position in the shares and underlying shares of the Company as recorded in the register kept by the Company under section 336 of the SFO:

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

Notes:

1. *Long positions in the shares of the Company.*
2. *The percentage of interests is calculated based on the total number of shares of the Company in issue as at 31 December 2014, 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 2014, 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.

REPORT OF THE DIRECTORS

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 number of issued shares 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. COFCO Mutual Supply Agreement

1.1 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 was 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 RMB1,615.35 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 RMB8,237.23 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.

1.2 2014 COFCO Mutual Supply Agreement

Before the expiry of the 2011 COFCO Mutual Supply Agreement, the Company entered into a new agreement with COFCO on 13 November 2014 (the "2014 COFCO Mutual Supply Agreement") for mutual supply of raw materials, products, finance, logistics, agency and other related services. The 2014 COFCO Mutual Supply Agreement is for a term commencing from 1 January 2015 to 31 December 2017. The annual caps for the 2014 COFCO Mutual Supply Agreement are set out in the Company's circular dated 19 November 2014, and such annual caps were approved by the independent shareholders at the Company's extraordinary general meeting held on 12 December 2014.

REPORT OF THE DIRECTORS

2. Wilmar Mutual Supply Agreement

2.1 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 was three 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 RMB136.45 million, and the aggregate value of the products and services supplied by the Group to Wilmar International Group was approximately RMB731.36 million.

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

2.2 2014 Wilmar Mutual Supply Agreement

Before the expiry of the 2011 Wilmar Mutual Supply Agreement, the Company and Wilmar International entered into a new agreement on 13 November 2014 (the "2014 Wilmar Mutual Supply Agreement"), pursuant to which, Wilmar International Group and the Group will mutually supply raw materials, products, logistics and other related services. The 2014 Wilmar Mutual Supply Agreement is for a term commencing from 1 January 2015 to 31 December 2017. The annual caps for the 2014 Wilmar Mutual Supply Agreement are set out in the Company's announcement dated 13 November 2014.

3. Financial Services Agreement

3.1 2013 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 2013 Financial Services Agreement on 6 December 2013 for a term of one year from 1 January 2014, whereby relevant members of the Group (including the Management Company) maintained RMB depositary 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 RMB750.00 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 2014 Financial Services Agreement

Before the expiry of the 2013 Financial Services Agreement, the Company entered into the 2014 Financial Services Agreement with COFCO Finance and the Management Company on 13 November 2014 whereby COFCO Finance would further provide depositary and entrustment loan services for a term of two years commencing from 1 January 2015 to 31 December 2016. The annual caps on the maximum daily balance of deposits (including accrued interests) placed by the Group with COFCO Finance pursuant to the 2014 Financial Services Agreement are set out in the Company's announcement dated 13 November 2014.

4. Absorption and Merger Agreement

On 11 August 2014, COFCO Excel Joy (Tianjin) Co., Ltd. ("Excel Joy") and Tianjin COFCO Excel Joy Lingang Storage Co., Ltd. ("Excel Joy Storage") entered into an absorption and merger agreement (the "Agreement"). As disclosed in the Company's announcement dated 11 August 2014, Excel Joy and Excel Joy storage have been the Company's non-wholly-owned subsidiaries, in which COFCO held 24.17% and 23.39% equity interest respectively as at the date of announcement. Pursuant to the Agreement, Excel Joy Storage would be merged and absorbed by Excel Joy (the "Merger Transaction"), and to facilitate and in consideration of the Merger Transaction, Excel Joy would increase its registered capital which would be apportioned to each of COFCO and Excel Joy International Limited (a wholly-owned subsidiary of the Company) with reference to (i) the assessed net asset value of each of Excel Joy and Excel Joy Storage, and (ii) the respective equity interests of COFCO and Excel Joy International Limited in each of Excel Joy and Excel Joy Storage before the Merger Transaction.

The Merger Transaction was completed on 24 January 2015 and COFCO's shareholding in Excel Joy has been changed to 24.05%.

Related party transactions as disclosed in note 38 to the financial statements included connected transactions or continuing connected transactions with COFCO Group and Wilmar International Group. The Company has complied with the disclosure requirements for the above connected transactions or continuing 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 1.1, 2.1 and 3.1 of the preceding section for the year ended 31 December 2014 (the "CCTs") and confirmed that the CCTs have been entered into: (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better; and (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. The annual caps for the CCTs have not been exceeded.

REPORT OF THE DIRECTORS

Ernst & Young, the Company's auditors, were engaged to report on the Group's CCTs 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 respective of the continuing connected transactions for the year ended 31 December 2014 disclosed above in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

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. Chi Jingtao is a vice president; and Mr. Ma Wangjun is the chief financial officer. Mr. Ning Gaoning and Mr. Yu Xubo are directors of Noble Agri Limited. Mr. Yue Guojun is 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 2014.

REPORT OF THE DIRECTORS

Non-competition Deed

COFCO, COFCO (Hong Kong) Limited ("COFCO (HK)") and the Company executed a non-competition deed on 16 February 2007 (the "Non-competition Deed"), pursuant to which, COFCO and COFCO (HK) 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 (HK) 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. Furthermore, if any new business opportunity is offered to COFCO and/or COFCO (HK) which would potentially compete with the business of the Company, COFCO and/or COFCO (HK) shall refer the new business opportunity to the Company upon terms and conditions which are not less favorable than those offered to each of them. If such offer is not accepted by the Company in writing within 30 days of its receiving of the written notice of the new business opportunity, COFCO and/or COFCO (HK) shall be entitled to accept the new business opportunity upon terms and conditions that are not more favorable than those offered to the Company.

1. COFCO Biochemical Option

The option of the Company (the "COFCO Biochemical Option") to acquire from COFCO interest in COFCO Biochemical (Anhui) Co., Ltd. ("COFCO Biochemical") was for an initial term of five years starting from 3 April 2007 and then extended for three years. On 12 December 2014, the Company announced that, having taken into account the principal factors and considerations set out in the announcement, all independent non-executive Directors decided that it was not in the interests of the Company and its shareholders as a whole to make a definitive decision whether or not to exercise the option to acquire from COFCO interest in COFCO Biochemical and decided to extend the COFCO Biochemical Option for further three years starting from 3 April 2015.

2. Noble Agri Option

As disclosed by the Company's announcements dated 1 April 2014 and 14 October 2014, having taken into account the principal factors and considerations set out in the announcements, all independent non-executive Directors decided not to take up COFCO (HK)'s offer to provide a new business opportunity to acquire from an independent third party 51% equity interest in Noble Agri Limited ("Noble Agri"). Noble Agri and its subsidiaries have certain business including oilseeds pressing and distillation plants operating in the PRC, which may directly or indirectly compete with the oilseeds processing business of the Group in the PRC. Therefore, after settlement of the acquisition by COFCO (HK)'s subsidiary, such competing business constitutes the Retained Business under the Non-competition Deed. The option for the Company to acquire such competing business (the "Noble Agri Option") has been effective since 14 October 2014 until the fifth anniversary.

The independent non-executive Directors will continue to review the COFCO Biochemical Option and the Noble Agri Option at least annually and to disclose the reasons for their decision by way of announcement.

REPORT OF THE DIRECTORS

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 25 to 38 of this annual report.

Donations

During the year, the Group made charitable and other donations amounting to approximately HK$3.9 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 2014 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, 25 March 2015

CHINA AGRI-INDUSTRIES HOLDINGS LIMITED

Audited Financial Statements

For the year ended 31 December 2014

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 66 to 170, which comprise the consolidated and company statements of financial position as at 31 December 2014, 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 80 of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622), 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

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 2014, and of the Group's loss 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
25 March 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000 (Restated)
REVENUE	4, 5	**93,238,734**	94,543,022
Cost of sales	6	**(88,909,576)**	(88,839,568)
Gross profit		**4,329,158**	5,703,454
Other income and gains	5	**1,625,038**	2,094,277
Selling and distribution expenses		**(3,318,183)**	(3,169,974)
Administrative expenses		**(1,971,314)**	(1,960,440)
Other expenses		**(367,275)**	(20,248)
Finance costs	7	**(650,467)**	(594,429)
Share of profits and losses of associates		**14,796**	184,102
PROFIT/(LOSS) BEFORE TAX	6	**(338,247)**	2,236,742
Income tax expense	10	**(310,335)**	(417,761)
PROFIT/(LOSS) FOR THE YEAR		**(648,582)**	1,818,981
Attributable to:			
Owners of the Company		**(775,403)**	1,568,453
Non-controlling interests		**126,821**	250,528
		(648,582)	1,818,981
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	13		
Basic		**(14.77) HK cents**	29.88 HK cents
Diluted		**(14.77) HK cents**	29.78 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 2014

	2014 HK$'000	2013 HK$'000 (Restated)
PROFIT/(LOSS) FOR THE YEAR	**(648,582)**	1,818,981
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Exchange difference on translation of foreign operations	**(92,413)**	855,711
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods	**(92,413)**	855,711
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	**(92,413)**	855,711
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	**(740,995)**	2,674,692
Attributable to:		
Owners of the Company	**(855,363)**	2,314,253
Non-controlling interests	**114,368**	360,439
	(740,995)	2,674,692

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**25,378,662**	25,202,383
Prepaid land premiums	15	**2,712,331**	2,775,758
Deposits for purchases of items of property, plant and equipment		**54,309**	316,450
Goodwill	16	**1,079,686**	1,079,869
Investments in associates	18	**2,216,150**	2,303,222
Available-for-sale investments	19	**380**	382
Intangible assets	20	**75,317**	59,988
Due from associates	18	**–**	132,786
Deferred tax assets	29	**1,108,690**	807,000
Total non-current assets		**32,625,525**	32,677,838
CURRENT ASSETS			
Inventories	21	**18,918,441**	18,304,422
Accounts and bills receivables	22	**2,599,980**	4,244,776
Prepayments, deposits and other receivables	41	**3,976,571**	4,175,051
Other receivables due from Sinograin	23	**3,117,959**	–
Derivative financial instruments	24	**505,621**	525,522
Due from fellow subsidiaries	38	**2,734,650**	4,972,782
Due from related companies	38	**608,482**	433,155
Due from the ultimate holding company	38	**323**	9,565
Due from non-controlling shareholders of subsidiaries	38	**73,873**	51,898
Due from associates	18	**397,363**	1,428,601
Tax recoverable		**170,503**	309,670
Available-for-sale investments	19	**253,527**	1,691,617
Pledged deposits	25	**27,059**	663
Cash and cash equivalents	25	**12,551,444**	13,943,724
Total current assets		**45,935,796**	50,091,446
CURRENT LIABILITIES			
Accounts and bills payables	26	**5,156,712**	7,989,018
Other payables and accruals	41	**4,291,372**	5,688,371
Deferred income		**49,039**	38,075
Derivative financial instruments	24	**4,090**	–
Interest-bearing bank and other borrowings	27	**29,332,155**	30,233,451
Bank borrowings due to ADBC	23	**3,165,800**	–
Convertible bonds	28	**1,256,246**	–
Due to fellow subsidiaries	38	**104,696**	766,483
Due to the ultimate holding company	38	**142,660**	782,674
Due to an intermediate holding company	38	**–**	2,502
Due to related companies	38	**16**	12,143
Due to non-controlling shareholders of subsidiaries	38	**37,472**	25,899
Due to associates	18	**37,770**	64,646
Tax payable		**304,918**	44,920
Total current liabilities		**43,882,946**	45,648,182

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
NET CURRENT ASSETS		**2,052,850**	4,443,264
TOTAL ASSETS LESS CURRENT LIABILITIES		**34,678,375**	37,121,102
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	27	**1,047,391**	1,922,516
Convertible bonds	28	**–**	1,234,718
Due to non-controlling shareholders of subsidiaries	38	**210,161**	210,467
Deferred income		**812,715**	777,883
Deferred tax liabilities	29	**160,811**	243,062
Other non-current liabilities		**25,523**	–
Total non-current liabilities		**2,256,601**	4,388,646
Net assets		**32,421,774**	32,732,456
EQUITY			
Equity attributable to owners of the Company			
Share capital: nominal value	30	**–**	524,988
Other statutory capital reserve	30	**–**	9,246,676
Share capital and other statutory capital reserve		**9,771,664**	9,771,664
Other reserves	32(a)	**18,303,466**	18,995,794
Proposed final dividend	12	**–**	215,245
		28,075,130	28,982,703
Non-controlling interests		**4,346,644**	3,749,753
Total equity		**32,421,774**	32,732,456

Yue Guojun
Director

Shi Bo
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2014

	Notes	Attributable to owners of the Company										Non-controlling interests HK$'000	Total equity HK$'000
		Share capital HK$'000	Share premium account# HK$'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		
At 1 January 2013													
As previously reported		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
Prior year adjustments	2.2(ii)	-	-	-	-	-	-	-	(47,134)	-	(47,134)	-	(47,134)
As restated		524,988	9,246,676	4,747,281	51,739	126,145	1,054,255	2,669,046	8,403,969	183,746	27,007,845	3,429,030	30,436,875
Total comprehensive income for the year (as restated)		-	-	-	-	-	-	745,800	1,568,453	-	2,314,253	360,439	2,674,692
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	31	-	-	-	-	37,878	-	-	-	-	37,878	-	37,878
Redemption of convertible bonds	28	-	-	-	(32,458)	-	-	-	-	-	(32,458)	-	(32,458)
Dividends paid to non-controlling shareholders of subsidiaries		-	-	-	-	-	-	-	-	-	-	(40,572)	(40,572)
Final 2012 dividend declared		-	-	-	-	-	-	-	-	(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

	Notes	Attributable to owners of the Company										Non-controlling interests HK$'000	Total equity HK$'000
		Share capital HK$'000	Share premium account# HK$'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		
At 1 January 2014		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
Total comprehensive loss for the year		-	-	-	-	-	-	(79,960)	(775,403)	-	(855,363)	114,368	(740,995)
Transfer from retained profits		-	-	-	-	-	64,007	-	(64,007)	-	-	-	-
Transition to no-par value regime	30	9,246,676	(9,246,676)	-	-	-	-	-	-	-	-	-	-
Acquisition of a subsidiary	33	-	-	-	-	-	-	-	-	-	-	15,118	15,118
Equity-settled share option arrangements	31	-	-	-	-	24,506	-	-	-	-	24,506	-	24,506
Transfer of share option reserve upon the forfeiture or expiry of share options		-	-	-	-	(41,143)	-	-	41,143	-	-	-	-
Contribution from non-controlling shareholder		-	-	138,529	-	-	-	-	-	-	138,529	492,337	630,866
Dividends paid to non-controlling shareholders of subsidiaries		-	-	-	-	-	-	-	-	-	-	(24,932)	(24,932)
Final 2013 dividend declared	12	-	-	-	-	-	-	-	-	(215,245)	(215,245)	-	(215,245)
At 31 December 2014		9,771,664	-	4,887,487*	19,281*	147,386*	1,225,291*	3,334,886*	8,689,135*	-	28,075,130	4,346,644	32,421,774

* These reserve accounts comprise the consolidated other reserves of HK$18,303,466,000 (31 December 2013: HK$18,995,794,000) in the consolidated statement of financial position.

\# Included in other statutory capital reserve in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		**(338,247)**	2,236,742
Adjustments for:			
Finance costs	7	**650,467**	594,429
Write-down of inventories to net realisable value	6	**517,038**	565,597
Provision for loss on non-cancellable purchase commitments	6	**127,973**	882,298
Impairment/(reversal of impairment) of receivables	6	**8,263**	(831)
Depreciation and amortisation	6	**1,605,289**	1,364,517
Gain on disposal of land premiums		**–**	(67)
Losses on disposal of items of property, plant and equipment	6	**280**	1,830
Impairment of items of property, plant and equipment	6	**2,992**	1,319
Recognition of prepaid land premiums	6	**67,639**	64,135
Share of profits and losses of associates		**(14,796)**	(184,102)
Interest income	5	**(693,910)**	(434,710)
Unrealised gains on derivative financial instruments		**(502,014)**	(519,353)
Gain on bargain purchase	5	**(1,672)**	–
Government grants	5	**(466,110)**	(374,998)
Loss on redemption of convertible bonds		**–**	7,386
Equity-settled share option expense	31	**24,506**	37,878
		987,698	4,242,070
Decrease/(increase) in inventories		**(1,119,203)**	1,230,119
Decrease in accounts and bills receivables		**1,641,888**	34,054
Decrease in prepayments, deposits and other receivables		**286,845**	820,402
Decrease/(increase) in amounts due from fellow subsidiaries		**1,336,144**	(1,066,556)
Decrease in amounts due from associates		**1,162,906**	4,020
Increase in amounts due from related companies		**(177,073)**	(297,985)
Decrease in derivative financial instruments and other financial products		**524,858**	151,313
Decrease/(increase) in an amount due from the ultimate holding company		**9,225**	(9,076)
Decrease/(increase) in amounts due from non-controlling shareholders of subsidiaries		**(22,186)**	25,720
Increase/(decrease) in accounts and bills payables		**(1,139,736)**	1,332,612
Decrease in other payables and accruals		**(1,133,411)**	(1,618,627)
Increase/(decrease) in amounts due to fellow subsidiaries		**(634,761)**	445,280

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000 (Restated)
Decrease in an amount due to the ultimate holding company		**(7,597)**	(118)
Decrease in amounts due to related companies		**(12,107)**	(249,458)
Increase/(decrease) in amounts due to associates		**(26,704)**	55,335
Government grants received		**341,763**	314,657
Cash generated from operations		**2,018,549**	5,413,762
Interest received		**693,910**	434,710
Interest paid		**(631,441)**	(601,233)
Income tax paid		**(302,183)**	(773,981)
Net cash flows from operating activities		**1,778,835**	4,473,258
CASH FLOWS FROM INVESTING ACTIVITIES			
Decrease/(increase) in pledged deposits		**(26,442)**	21,390
Acquisition of a subsidiary	33	**341,692**	–
Dividends from associates		**96,916**	63,434
Acquisition of non-controlling interests		**–**	2,533
Proceeds from disposal of items of property, plant and equipment and intangible assets		**191,374**	79,863
Purchases of items of property, plant and equipment		**(1,789,662)**	(3,174,773)
Additions to prepaid land premiums	15	**(89,420)**	(123,486)
Receipts of government grants		**87,030**	59,684
Additions to intangible assets	20	**(4,843)**	(6,721)
Decrease/(increase) in loans to a fellow subsidiary		**890,325**	(891,294)
Decrease in loans to associates		**–**	12,063
Redemption of/(investment in) bank wealth management products, net		**1,434,830**	(369,454)
Net cash flows from/(used in) investing activities		**1,131,800**	(4,326,761)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		**100,112,175**	74,153,590
New other loans		**4,290,678**	4,368,176
New bank loans from ADBC		**4,707,874**	–
Repayments of bank loans		**(103,248,931)**	(68,482,977)
Repayments of other loans		**(3,379,041)**	(6,456,044)
Repayments of bank loans from ADBC		**(1,542,074)**	–
Increase in other receivable due from Sinograin		**(3,117,959)**	–
Loans from ultimate holding shareholders		**–**	767,075
Dividends paid		**(215,245)**	(548,806)
Dividends paid to non-controlling shareholders of subsidiaries		**(13,258)**	(43,002)
Redemption of convertible bonds		**–**	(2,750,582)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000 (Restated)
Increase/(decrease) in cash from discounting bank letter of credit		**(1,911,512)**	3,070,074
Interest paid		**(16,283)**	(45,849)
Net cash flows from/(used in) financing activities		**(4,333,576)**	4,031,655
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(1,422,941)**	4,178,152
Cash and cash equivalents at beginning of year		**13,943,724**	9,387,222
Effect of foreign exchange rate changes, net		**30,661**	378,350
CASH AND CASH EQUIVALENTS AT END OF YEAR		**12,551,444**	13,943,724
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	25	**7,618,705**	10,099,650
Non-pledged time deposits with original maturity of less than three months when acquired	25	**654,468**	810,611
Bank wealth management products	25	**4,278,271**	3,033,463
		12,551,444	13,943,724

STATEMENT OF FINANCIAL POSITION

31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**27**	33
Investments in subsidiaries	17	**19,014,104**	18,642,590
Total non-current assets		**19,014,131**	18,642,623
CURRENT ASSETS			
Due from subsidiaries	17	**1,199,186**	1,780,634
Dividend receivable		**263,367**	–
Prepayments, deposits and other receivables		**827**	1,550
Cash and cash equivalents	25	**931,408**	1,169,180
Total current assets		**2,394,788**	2,951,364
CURRENT LIABILITIES			
Other payables and accruals		**13,749**	48,878
Interest-bearing bank and other borrowings	27	**949,681**	1,058,324
Due to an intermediate holding company	38	**–**	1,071
Due to subsidiaries	17	**904,645**	926,707
Total current liabilities		**1,868,075**	2,034,980
NET CURRENT ASSETS		**526,713**	916,384
TOTAL ASSETS LESS CURRENT LIABILITIES		**19,540,844**	19,559,007
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	27	**–**	955,500
Total non-current liabilities		**–**	955,500
Net assets		**19,540,844**	18,603,507
EQUITY			
Share capital: nominal value	30	**–**	524,988
Other statutory capital reserve	30	**–**	9,246,676
Share capital and other statutory capital reserve		**9,771,664**	9,771,664
Other reserves	32(b)	**9,769,180**	8,616,598
Proposed final dividend	12	**–**	215,245
Total equity		**19,540,844**	18,603,507

Yue Guojun
Director

Shi Bo
Director

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

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") and accounting principles generally accepted in Hong Kong. These financial statements also comply with the applicable requirements of the Hong Kong Companies Ordinance relating to the preparation of financial statements, which for this financial year and the comparative period continue to be those of the predecessor Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. The financial statements 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 Group for the year ended 31 December 2014. 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.

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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

(i) The Group has adopted the following revised standards and new interpretation for the first time for the current year's financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	*Investment Entities*
Amendments to HKAS 32	*Offsetting Financial Assets and Financial Liabilities*
Amendments to HKAS 36	*Recoverable Amount Disclosures for Non-Financial Assets*
Amendments to HKAS 39	*Novation of Derivatives and Continuation of Hedge Accounting*
HK(IFRIC)-Int 21	*Levies*
Amendment to HKFRS 2 included in *Annual Improvements 2010-2012 Cycle*	*Definition of Vesting Condition*[1]
Amendment to HKFRS 3 included in *Annual Improvements 2010-2012 Cycle*	*Accounting for Contingent Consideration in a Business Combination*[1]
Amendment to HKFRS 13 included in *Annual Improvements 2010-2012 Cycle*	*Short-term Receivables and Payables*
Amendment to HKFRS 1 included *in Annual Improvements 2011-2013 Cycle*	*Meaning of Effective HKFRSs*

[1] Effective from 1 July 2014

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2.2 Changes In Accounting Policies and Disclosures (continued)

(i) (continued)

Except for the amendment to HKFRS 1 which is only relevant to an entity's first HKFRS financial statements, the nature and the impact of each amendment and interpretation is described below:

(a) 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 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 amendments have had no impact on the Group as the Company does not qualify as an investment entity as defined in HKFRS 10.

(b) 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 have had no impact on the Group as the Group does not have any offsetting arrangement.

(c) HKAS 39 Amendments provide an exception to the requirement of discontinuing hedge accounting in situations where over-the-counter derivatives designated in hedging relationships are directly or indirectly, novated to a central counterparty as a consequence of laws or regulations, or the introduction of laws or regulations. For continuance of hedge accounting under this exception, all of the following criteria must be met: (i) the novations must arise as a consequence of laws or regulations, or the introduction of laws or regulations; (ii) the parties to the hedging instrument agree that one or more clearing counterparties replace their original counterparty to become the new counterparty to each of the parties; and (iii) the novations do not result in changes to the terms of the original derivative other than changes directly attributable to the change in counterparty to achieve clearing. The amendments have had no impact on the Group as the Group has not novated any derivatives during the current and prior years.

(d) HK(IFRIC)-Int 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. The interpretation also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be recognised before the specified minimum threshold is reached. The interpretation has had no impact on the Group as the Group applied, in prior years, the recognition principles under HKAS 37 Provisions, Contingent Liabilities and Contingent Assets which for the levies incurred by the Group are consistent with the requirements of HK(IFRIC)-Int 21.

2.2 Changes In Accounting Policies and Disclosures (continued)

(i) (continued)

(e) The HKFRS 2 Amendment clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including (i) a performance condition must contain a service condition; (ii) a performance target must be met while the counterparty is rendering service; (iii) a performance target may relate to the operations or activities of an entity, or to those of another entity in the same group; (iv) a performance condition may be a market or non-market condition; and (v) if the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied. The amendment has had no impact on the Group.

(f) The HKFRS 3 Amendment clarifies that contingent consideration arrangements arising from a business combination that are not classified as equity should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of HKFRS 9 or HKAS 39. The amendment has had no impact on the Group.

(g) The HKFRS 13 Amendment clarifies that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. The amendment has had no impact on the Group.

(ii) Change in accounting policy for fair value measurement

The Group has entered into various commodity futures contracts in commodity trading exchanges located in certain countries to manage its price exposures in future purchases or sales of soybeans, soybean meal, soybean oil and other similar commodities. Commodity futures contracts are measured at fair value using market quoted prices. The Group does not adopt hedge accounting and any gains or losses arising from changes in fair value of derivative are taken directly to the statement of profit or loss.

In the prior years, the fair values of the commodity futures contracts were measured using market quoted prices in various commodity trading exchanges despite these commodity exchanges being located in different countries and time zones. Accordingly, under certain circumstances, when an unexpected event triggers significant price fluctuations in one futures exchange, prices of related or similar commodity futures in another exchange may not be able to respond in the same trading period. This is due to the commodity exchanges, being located in different time zones, and the related commodity futures contracts not trading simultaneously. Hence, commodity futures contracts of the related or similar commodity may be valued in different market quoted prices as these commodity futures contracts are entered into in different commodity trading exchanges located in different time zones.

In rare cases when such event occurs on the date of statement of financial position, previous policy will lead to significant variances in the market quoted prices used to value related or similar commodity futures contracts in the Group’s consolidated financial statements.

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2.2 Changes In Accounting Policies and Disclosures (continued)

(ii) Change in accounting policy for fair value measurement (continued)

In order to provide a more consistent fair value measurement basis for commodity futures contracts held across exchanges, which are located in different time zones, for the purpose of preparing consolidated financial statements at the balance sheet date, the Group has undertaken to use the same cut-off time as the basis to aggregate linked commodity futures contracts across different time zones in a consistent manner. Accordingly, the change of fair value change of related or similar commodity futures contracts in both exchanges resulting from the aforesaid unexpected event has been included in the consolidated financial statements of the next reporting period. The directors of the Company are of the opinion that the change in accounting policy enables the Group to provide more relevant consolidated financial information about its performance.

The quantitative impact on the financial information is summarised as below: *

Impact on consolidated statement of profit or loss

	2014 **HK$'000**	**2013** **HK$'000**
Decrease in cost of sales	**58,053**	56,448
Increase in income tax expenses	**(9,579)**	(9,314)
Decrease in loss for 2014/increase in profit for 2013	**48,474**	47,134
Decrease in loss for 2014/increase in profit for 2013 attributable to:		
Owners of the Company	**48,474**	47,134
Non-controlling interests	**–**	–
	48,474	47,134
Decrease in loss per share for 2014/increase in earnings per share for 2013 attributable to ordinary equity holders of the Company		
–Basic	**0.92 HK cents**	0.90 HK cents
–Diluted	**0.92 HK cents**	0.85 HK cents

2.2 Changes In Accounting Policies and Disclosures (continued)

(ii) Change in accounting policy for fair value measurement (continued)

Impact on consolidated statement of comprehensive income

	2014 HK$'000	2013 HK$'000
Decrease in loss for 2014/increase in profit for 2013	**48,474**	47,134
Decrease in total comprehensive loss for 2014/ increase in total comprehensive income for 2013	**48,474**	47,134
Decrease in total comprehensive loss for 2014/ increase in total comprehensive income for 2013 attributable to owners of the Company	**48,474**	47,134

Impact on consolidated statement of financial position

	As at 31 December 2014 HK$'000	As at 31 December 2013 HK$'000	As at 1 January 2013 HK$'000
Increase/(decrease) in derivative financial instruments	**58,053**	–	(56,448)
Decrease in tax payables	**–**	–	9,314
Increase in deferred tax liabilities	**(9,579)**	–	–
Increase/(decrease) in retained profits	**48,474**	–	(47,134)

* The quantitative impact on the unaudited condensed consolidated interim financial information for the six months ended 30 June 2014 as a result of the change in accounting policy could be found in the announcements dated 23 August 2014 and 27 August 2014 made by the Company.

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2.3 New and Revised HKFRSs and New Disclosure Requirements Under the Hong Kong Companies Ordinance Not Yet Adopted

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]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[2]
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[2]
HKFRS 14	*Regulatory Deferral Accounts*[5]
HKFRS 15	*Revenue from Contracts with Customers*[3]
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[2]
Amendments to HKAS 19	*Defined Benefit Plans: Employee Contributions*[1]
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*[2]
Annual Improvements 2010-2012 Cycle	Amendments to a number of HKFRSs[1]
Annual Improvements 2011-2013 Cycle	Amendments to a number of HKFRSs[1]
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs[2]

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

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

3 Effective for annual periods beginning on or after 1 January 2017

4 Effective for annual periods beginning on or after 1 January 2018

5 Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group

In addition, the requirements of Part 9 “Accounts and Audit” of the Hong Kong Companies Ordinance (Cap. 622) will come into operation as from the Company’s first financial year commencing after 3 March 2014 in accordance with section 358 of that Ordinance, which will be the year ending 31 December 2015. The Group is in the process of making an assessment of the expected impact of the changes in the period of initial application of Part 9 of the Ordinance. So far it has concluded that the impact is unlikely to be significant and will primarily affect the presentation and disclosure of information in the consolidated financial statements.

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

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt HKFRS 9 from 1 January 2018. The Group expects that the adoption of HKFRS 9 will have an impact on the classification and measurement of the Group’s financial assets. Further information about the impact will be available nearer the implementation date of the standard.

The amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor’s profit or loss only to the extent of the unrelated investor’s interest in that associate or joint venture. The amendments are to be applied prospectively. The Group expects to adopt the amendments from 1 January 2016.

2.3 New and Revised HKFRSs and New Disclosure Requirements Under the Hong Kong Companies Ordinance Not Yet Adopted

(continued)

The amendments to HKFRS 11 require that an acquirer of an interest in a joint operation in which the activity of the joint operation constitutes a business must apply the relevant principles for business combinations in HKFRS 3. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to HKFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016.

HKFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. The Group expects to adopt HKFRS 15 on 1 January 2017 and is currently assessing the impact of HKFRS 15 upon adoption.

Amendments to HKAS 16 and HKAS 38 clarify the principle in HKAS 16 and HKAS 38 that revenue reflects a pattern of economic benefits that are generated from operating business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are to be applied prospectively. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016 as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

The *Annual Improvements to HKFRSs 2010-2012 Cycle* issued in January 2014 sets out amendments to a number of HKFRSs. Except for those described in note 2.2, the Group expects to adopt the amendments from 1 January 2015. None of the amendments are expected to have a significant financial impact on the Group. Details of the amendment most applicable to the Group are as follows:

HKFRS 8 *Operating Segments*: Clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria in HKFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar. The amendments also clarify that a reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker.

NOTES TO THE FINANCIAL STATEMENTS

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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 *Non-current Assets Held for Sale and Discontinued Operations* 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.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

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 assets 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.

2.4 Summary of Significant Accounting Policies (continued)

Investments in associates and joint ventures (continued)

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.

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 of 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.

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.

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2.4 Summary of Significant Accounting Policies (continued)

Business combinations and goodwill (continued)

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 operation disposed of 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.

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.

2.4 Summary of Significant Accounting Policies (continued)

Fair value measurement (continued)

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.

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.

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2.4 Summary of Significant Accounting Policies (continued)

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).

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 comprise 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.

2.4 Summary of Significant Accounting Policies (continued)

Property, plant and equipment and depreciation (continued)

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.

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.

Patent and licences

Purchased patents and licenses are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives.

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2.4 Summary of Significant Accounting Policies (continued)

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.

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.

2.4 Summary of Significant Accounting Policies (continued)

Investments and other financial assets (continued)

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.

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.

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2.4 Summary of Significant Accounting Policies (continued)

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.

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

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.

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.

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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.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

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.

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 31 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

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.

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 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).

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31 December 2014

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 enterprises, 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 these non-Chinese resident enterprises incorporated outside Mainland China, management reversed the deferred tax liability of HK$81,437,000 in current year which was recognised in prior year based on the then dividend distribution plan. Further details are given in note 29 to the financial statements.

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 2014, bank wealth management products of HK$4,278,271,000 (31 December 2013: HK$3,033,463,000) 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 25 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 2014 was HK$1,079,686,000 (31 December 2013: HK$1,079,869,000). 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 2014 was HK$766,679,000 (31 December 2013: HK$306,112,000). The amount of unrecognised tax losses at 31 December 2014 was HK$2,460,431,000 (31 December 2013: HK$1,294,776,000). Further details are given in note 29 to the financial statements.

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31 December 2014

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$2,992,000 was recognised in the consolidated statement of profit or loss for the year (2013: HK$1,319,000). The carrying amount of property, plant and equipment as at 31 December 2014 was HK$25,378,662,000 (31 December 2013: HK$25,202,383,000).

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 impairment of receivables of HK$8,263,000 was recognised in the consolidated statement of profit or loss for the year (2013: net reversal of impairment of HK$831,000). The aggregate carrying amount of accounts and bills receivables, and prepayments, deposits and other receivables as at 31 December 2014 was HK$6,576,551,000 (31 December 2013: HK$8,419,827,000).

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$517,038,000 (2013: HK$565,597,000) was recognised in the consolidated statement of profit or loss for the year. The aggregate carrying amount of inventories as at 31 December 2014 was HK$18,918,441,000 (31 December 2013: HK$18,304,422,000).

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$127,973,000 (2013: HK$882,298,000) 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 such data from binding sales transaction in an arm's length transaction is not available, management calculates the fair value less costs to sell based on current available best estimation. 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

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/(loss) before tax except that interest income, gain on bargain purchase, finance costs and share of profits and losses 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 (2013: 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

31 December 2014

4. Operating Segment Information (continued)

Year ended 31 December 2014

	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	53,713,540	16,539,996	7,746,371	9,002,067	2,738,808	3,497,952	–	93,238,734
Intersegment sales	353,789	191,324	3,797	19,400	22,413	39,034	(629,757)	–
Other revenue	96,805	626,298	112,237	80,616	6,912	27,490	(20,902)	929,456
Segment results	(1,519,484)	872,299	(17,175)	81,890	324,951	(139,559)	(1,080)	(398,158)
Interest income								693,910
Finance costs								(650,467)
Gain on bargain purchase								1,672
Share of profits and losses of associates								14,796
Loss before tax								(338,247)
Income tax expense								(310,335)
Loss for the year								(648,582)
Assets and liabilities								
Segment assets	29,757,118	16,271,754	7,605,596	3,431,213	4,092,186	16,275,303	(14,945,695)	62,487,475
Corporate and other unallocated assets								16,073,846
Total assets								78,561,321
Segment liabilities	12,303,232	8,295,515	3,568,073	1,953,889	1,035,886	1,822,065	(14,945,695)	14,032,965
Corporate and other unallocated liabilities								32,106,582
Total liabilities								46,139,547
Other segment information:								
Depreciation and amortisation#	632,858	620,144	157,573	108,227	94,715	59,411	–	1,672,928
Impairment losses recognised in the consolidated statement of profit or loss	1,568	307	7,908	83	755	634	–	11,255
Capital expenditure*	1,238,163	345,304	239,810	67,371	52,987	144,122	–	2,087,757

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

4. Operating Segment Information (continued)

Year ended 31 December 2013

	Oilseeds processing HK$'000 (Restated)	Biochemical and biofuel HK$'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 (Restated)
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	1,515,970	717,372	(154,516)	111,597	224,019	(74,441)	(127,642)	2,212,359
Interest income								434,710
Finance costs								(594,429)
Share of profits and losses of associates								184,102
Profit before tax								2,236,742
Income tax expense								(417,761)
Profit for the year								1,818,981
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

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

31 December 2014

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	2014 HK$'000	2013 HK$'000
Other income			
Interest income		**693,910**	434,710
Government grants*		**466,110**	374,998
Storage income from agency purchase	23	**167,155**	–
Compensation income		**4,657**	2,581
Tax refunds		**65,764**	28,093
Others		**82,030**	84,078
		1,479,626	924,460
Gains			
Gains on disposal of raw materials, by-products and scrap items		**94,262**	46,330
Logistics service and storage income		**48,290**	44,853
Realised and unrealised fair value gains on foreign currency forward contracts, net	24	**–**	6,638
Gains on foreign exchange, net		**–**	1,071,863
Gain on bargain purchase	33	**1,672**	–
Others		**1,188**	133
		145,412	1,169,817
		1,625,038	2,094,277

* 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 39 to the financial statements) are entitled to a financial grant based on the quantity of fuel ethanol produced and sold. An amount of HK$97,998,000 (2013: HK$124,026,000) has been included in the government grants for the year. Subsidy of HK$115,234,000 (2013: Nil) was granted to certain subsidiaries of the Group arising from bidding for corns under state grains reserve programme. The remaining government grants mainly related to discretionary awards granted by local governments to certain subsidiaries of the Group to award their contributions to the local development. There are no unfulfilled conditions or contingencies relating to these grants.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

6. Profit/(Loss) Before Tax

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

	Notes	2014 HK$'000	2013 HK$'000 (Restated)
Cost of inventories sold or services provided		**89,090,847**	89,586,098
Write-down of inventories to net realisable value		**517,038**	565,597
Provision for loss on non-cancellable purchase commitments*		**127,973**	882,298
Realised and unrealised fair value gains of commodity futures contracts, net	24	**(826,282)**	(2,194,425)
Cost of sales		**88,909,576**	88,839,568
Auditors' remuneration		**5,137**	4,991
Depreciation	14	**1,601,911**	1,362,051
Amortisation of intangible assets	20	**3,378**	2,466
Minimum lease payments under operating leases in respect of land and buildings		**66,617**	66,824
Recognition of prepaid land premiums	15	**67,639**	64,135
Employee benefit expenses (excluding directors' and chief executive's remuneration in note 8):			
Wages and salaries		**1,957,507**	1,870,844
Pension scheme contributions**		**230,032**	205,183
Equity-settled share option expenses		**22,593**	34,400
		2,210,132	2,110,427
Loss/(gain) on foreign exchange, net		**336,696**	(1,071,863)
Realised and unrealised fair value losses/(gains) on foreign currency forward contracts, net	24	**7,892**	(6,638)
Losses on disposal of items of property, plant and equipment		**280**	1,830
Impairment of accounts receivable	22	**4,851**	1,491
Impairment of items of property, plant and equipment	14	**2,992**	1,319
Impairment/(reversal of impairment) of other receivables		**3,412**	(2,322)

* 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 2014, 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$127,973,000 (2013: HK$882,298,000) 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 2014. The directors of the Company consider that these losses are resulted from the Group's ordinary course of business.

** At 31 December 2014, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2013: Nil).

7. Finance Costs

An analysis of finance costs is as follows:

	Group	
	2014 **HK$'000**	**2013** **HK$'000**
Interest on:		
Bank loans wholly repayable within five years	**564,318**	394,400
Bank loans wholly repayable over five years	**37,484**	32,627
Loans from fellow subsidiaries wholly repayable within five years	**17,218**	62,461
Loans from the ultimate holding company wholly repayable within five years	**12,752**	26,276
Loans from an intermediate holding company wholly repayable within five years	**1,385**	49,251
Convertible bonds	**33,593**	75,263
Total interest expenses on financial liabilities not at fair value through profit or loss	**666,750**	640,278
Less: Interest capitalised	**(16,283)**	(45,849)
	650,467	594,429

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 Limited (the "Listing Rules") and Section 78 of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622), with reference to section 161 of the predecessor Hong Kong Companies Ordinance (Cap. 32), is as follows:

	Group	
	2014 **HK$'000**	**2013** **HK$'000**
Fees:		
Independent non-executive directors	**1,185**	1,170
Executive directors and non-executive directors	**428**	473
	1,613	1,643
Other emoluments:		
Salaries, allowances and benefits in kind	**4,768**	6,857
Discretionary bonuses	**1,484**	1,426
Equity-settled share option expenses	**1,913**	3,478
Pension scheme contributions	**211**	254
	8,376	12,015
	9,989	13,658

NOTES TO THE FINANCIAL STATEMENTS

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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 31 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:

	2014 HK$'000	2013 HK$'000
Mr. Lam Wai Hon, Ambrose	**395**	390
Mr. Victor Yang	**395**	390
Mr. Patrick Vincent Vizzone	**395**	390
	1,185	1,170

There were no other emoluments payable to the independent non-executive directors during the year (2013: Nil).

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

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Equity-settled share option expenses HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2014						
Executive directors:						
Mr. Yue Guojun	–	1,563	901	314	51	2,829
Mr. Shi Bo	–	990	583	285	50	1,908
	–	2,553	1,484	599	101	4,737
Non-executive directors:						
Mr. Yu Xubo#	28	2,215	–	343	110	2,696
Mr. Ning Gaoning	200	–	–	343	–	543
Mr. Chi Jingtao*	14	–	–	–	–	14
Mr. Ma Wangjun	100	–	–	314	–	414
Mr. Wang Zhiying^	86	–	–	314	–	400
	428	2,215	–	1,314	110	4,067
	428	4,768	1,484	1,913	211	8,804

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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$'000	Equity-settled share option expenses HK$'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

There was no arrangement under which a director or a chief executive waived or agreed to waive any remuneration during the year (2013: Nil).

Mr. Yu Xubo was re-designated from an executive director to a non-executive director of the Company with effect from 10 November 2014.

* Mr. Chi Jingtao was appointed as a non-executive director of the Company with effect from 10 November 2014.

^ Mr. Wang Zhiying resigned as a non-executive director of the Company with effect from 10 November 2014.

** Mr. Lv Jun resigned as an executive director and the Managing Director of the Company with effect from 14 October 2013.

NOTES TO THE FINANCIAL STATEMENTS

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9. Five Highest Paid Employees

The five highest paid employees during the year included three (2013: four) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining two (2013: one) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	Group	
	2014 **HK$'000**	**2013** **HK$'000**
Salaries, allowances and benefits in kind	**2,096**	1,058
Discretionary bonuses	**1,405**	326
Equity-settled share option expenses	**560**	445
Pension scheme contributions	**101**	45
	4,162	1,874

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	
	2014	**2013**
HK$1,500,001 to HK$2,000,000	**–**	1
HK$2,000,001 to HK$2,500,000	**2**	–
	2	1

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 31 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

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10. Income Tax Expense

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 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 2013, 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.

	2014 HK$'000	2013 HK$'000 (Restated)
Group:		
Current – Hong Kong		
Charge for the year	**2,006**	181,141
Overprovision in prior years	**(9,994)**	–
Current – Mainland China		
Charge for the year	**703,995**	296,405
Underprovision/(overprovision) in prior years	**5,151**	(3,713)
Tax credits	**–**	(17,993)
Deferred tax (note 29)	**(390,823)**	(38,079)
Total tax charge for the year	**310,335**	417,761

A reconciliation of the tax expense applicable to profit/(loss) 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 – 2014

	Hong Kong		Mainland China		Total	
	HK$'000	%	HK$'000	%	HK$'000	%
Profit/(loss) before tax	(1,617,971)		1,279,724		(338,247)	
Tax at the statutory tax rate	(266,965)	16.5	319,931	25.0	52,966	(15.7)
Profit not subject to tax due to concession*	–	–	(48,926)	(3.8)	(48,926)	14.5
Profits attributable to associates	1,574	(0.1)	(6,084)	(0.5)	(4,510)	1.3
Income not subject to tax	(2,341)	0.1	(10,883)	(0.9)	(13,224)	3.9
Expenses not deductible for tax	21,101	(1.3)	49,093	3.8	70,194	(20.8)
Effect of corporate income tax liabilities on unremitted profits of subsidiaries	–	–	(81,437)	(6.4)	(81,437)	24.1
Adjustment in respect of current tax of previous periods	(9,994)	0.6	5,151	0.4	(4,843)	1.4
Adjustment in respect of deferred tax of previous periods	–	–	101,281	7.9	101,281	(29.9)
Tax losses utilised during the year	–	–	(16,889)	(1.3)	(16,889)	5.0
Tax losses not recognised	–	–	255,723	20.0	255,723	(75.6)
Tax charge at the Group's effective rate	(256,625)	15.9	566,960	44.3	310,335	(91.7)

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31 December 2014

10. Income Tax Expense (continued)

Group – 2013

	Hong Kong		Mainland China		Total	
	HK$'000 (Restated)	%	HK$'000	%	HK$'000 (Restated)	%
Profit before tax	1,275,128		961,614		2,236,742	
Tax at the statutory tax rate	210,396	16.5	240,404	25.0	450,800	20.2
Profit not subject to tax due to concession*	–	–	(95,334)	(9.9)	(95,334)	(4.3)
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)	(2.1)
Income not subject to tax	(224)	–	(18,439)	(1.9)	(18,663)	(0.8)
Expenses not deductible for tax	49,720	3.9	43,910	4.6	93,630	4.2
Effect of corporate income tax liabilities on unremitted profits of subsidiaries	–	–	(56,943)	(5.9)	(56,943)	(2.5)
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)	(2.5)
Tax losses not recognised	–	–	170,188	17.7	170,188	7.6
Tax charge at the Group's effective rate	262,449	20.6	155,312	16.2	417,761	18.7

* 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$8,443,000 (2013: HK$97,910,000) is included in "Share of profits and losses of associates" in the consolidated statement of profit or loss.

11. Profit/(Loss) Attributable to Owners of the Company

The consolidated profit/(loss) attributable to owners of the Company for the year ended 31 December 2014 includes a loss of HK$64,612,000 (2013: a profit of HK$7,806,000), which was arrived at after deducting dividend income received from a subsidiary of HK$1,192,688,000 (2013: HK$100,000,000) from Company's net profit for the year of HK$1,128,076,000 (2013: net profit of HK$107,806,000), that has been dealt with in the financial statements of the Company (note 32(b)).

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

12. Dividends

	2014 HK$'000	2013 HK$'000
Interim – Nil (2013: 3.1 HK cents) per ordinary share	–	162,746
Proposed final – Nil (2013: 4.1 HK cents) per ordinary share	–	215,245
	–	377,991

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

The calculation of the basic earnings/(loss) per share amounts is based on the profit/(loss) for the year attributable to ordinary equity holders of the Company, and the weighted average number of 5,249,880,788 ordinary shares (2013: 5,249,880,788 ordinary shares) in issue during the year.

For the year ended 31 December 2013, 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 2014, no adjustments in respect of convertible bonds and share options have been made to the loss and number of shares used in the basic loss per share calculation due to that both the outstanding convertible bonds and share options have anti-dilutive effects on the basic loss per share amount presented.

The calculations of basic and diluted earnings/(loss) per share are based on:

	2014 HK$'000	2013 HK$'000 (Restated)
Earnings/(loss)		
Profit/(loss) attributable to ordinary equity holders of the Company used in the basic earnings/(loss) per share calculation	**(775,403)**	1,568,453
Interest on convertible bonds (note 7)	–	75,263
Profit/(loss) attributable to ordinary equity holders of the Company before interest on convertible bonds	**(775,403)**	1,643,716

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

	2014	2013
Number of shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings/(loss) per share calculation	**5,249,880,788**	5,249,880,788
Effect of dilution – weighted average number of ordinary shares:		
Share options	**–**	–
Convertible bonds	**–**	270,055,758
	5,249,880,788	5,519,936,546

14. Property, Plant and Equipment

Group

	Buildings HK$'000	Machinery and equipment HK$'000	Construction in progress HK$'000	Total HK$'000
31 December 2014				
At 31 December 2013 and at 1 January 2014:				
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**
At 1 January 2014, net of accumulated depreciation and impairment	**12,759,082**	**10,782,106**	**1,661,195**	**25,202,383**
Additions	**33,660**	**254,454**	**1,411,755**	**1,699,869**
Acquisition of a subsidiary (note 33)	**93,103**	**171,083**	**306**	**264,492**
Disposals	**(66,439)**	**(31,615)**	**(2,779)**	**(100,833)**
Depreciation provided during the year (note 6)	**(475,914)**	**(1,125,997)**	**–**	**(1,601,911)**
Impairment (note 6)	**–**	**(2,992)**	**–**	**(2,992)**
Transfers	**982,519**	**925,261**	**(1,907,780)**	**–**
Exchange realignment	**(42,891)**	**(34,690)**	**(4,765)**	**(82,346)**
At 31 December 2014, net of accumulated depreciation and impairment	**13,283,120**	**10,937,610**	**1,157,932**	**25,378,662**
At 31 December 2014:				
Cost	**15,937,478**	**17,845,514**	**1,157,932**	**34,940,924**
Accumulated depreciation and impairment	**(2,654,358)**	**(6,907,904)**	**–**	**(9,562,262)**
Net carrying amount	**13,283,120**	**10,937,610**	**1,157,932**	**25,378,662**

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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 2013				
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

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14. Property, Plant and Equipment (continued)

Company

	Office equipment HK$'000
31 December 2014	
At 31 December 2013 and 1 January 2014:	
Cost	**2,932**
Accumulated depreciation	**(2,899)**
Net carrying amount	**33**
At 1 January 2014, net of accumulated depreciation	**33**
Additions	**–**
Depreciation provided during the year	**(6)**
At 31 December 2014, net of accumulated depreciation	**27**
At 31 December 2014:	
Cost	**2,932**
Accumulated depreciation	**(2,905)**
Net carrying amount	**27**
31 December 2013	
At 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

As at 31 December 2014, certain of the Group's property, plant and equipment with a net carrying amount of approximately HK$487,044,000 (2013: HK$262,665,000) were pledged to secure banking facilities granted to the Group (note 27).

As at 31 December 2014, certificates of ownership in respect of certain buildings of the Group in Mainland China with an aggregate net carrying amount of approximately HK$2,338,450,000 (2013: HK$2,442,721,000) had not been issued by the relevant PRC authorities. The directors anticipate that these certificates will be issued in the near future.

15. Prepaid Land Premiums

	Group	
	2014 **HK$'000**	**2013** **HK$'000**
Carrying amount at 1 January	**2,836,055**	2,702,017
Additions	**89,420**	123,486
Disposals	**(75,597)**	(6,807)
Recognised during the year (note 6)	**(67,639)**	(64,135)
Exchange realignment	**(9,072)**	81,494
Carrying amount at 31 December	**2,773,167**	2,836,055
Current portion included in prepayments, deposits and other receivables	**(60,836)**	(60,297)
Non-current portion	**2,712,331**	2,775,758

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

As at 31 December 2014, certain land use rights of the Group with a net carrying amount of HK$106,023,000 (2013: HK$109,188,000) were pledged to secure bank loans granted to the Group (note 27).

As at 31 December 2014, certificates of land use rights in respect of certain land of the Group in Mainland China with an aggregate net carrying amount of HK$117,004,000 (2013: HK$40,076,000) had not been issued by the relevant PRC authorities. The directors anticipate that these certificates will be issued in the near future.

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16. Goodwill

Group

	HK$'000
31 December 2014	
At 31 December 2013 and 1 January 2014:	
Cost	**1,079,869**
Accumulated impairment	**–**
Net carrying amount	**1,079,869**
Cost at 1 January 2014, net of accumulated impairment	**1,079,869**
Exchange realignment	**(183)**
At 31 December 2014, net of accumulated impairment	**1,079,686**
At 31 December 2014:	
Cost	**1,079,686**
Accumulated impairment	**–**
Net carrying amount	**1,079,686**
31 December 2013	
At 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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

16. Goodwill (continued)

Impairment testing of goodwill

Goodwill acquired through business combinations is 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% (2013: 13%). The growth rate used to extrapolate the cash flows of the oilseeds processing unit beyond the five-year period is zero (2013: 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% (2013: 13%). The growth rate used to extrapolate the cash flows beyond the five-year period is zero (2013: 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% (2013: 12%). The growth rate used to extrapolate the cash flows beyond the five-year period is zero (2013: zero).

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

	2014 HK$'000	2013 HK$'000
Oilseeds processing	**534,853**	535,037
Rice processing and trading	**129,132**	129,132
Biochemical and biofuel	**412,518**	412,517
Others	**3,183**	3,183
	1,079,686	1,079,869

NOTES TO THE FINANCIAL STATEMENTS

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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 2014 and 31 December 2013. 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 or decreased 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	
	2014 **HK$'000**	**2013** **HK$'000**
Unlisted shares, at cost	**6,046,927**	6,042,960
Loans to subsidiaries	**12,967,177**	12,599,630
	19,014,104	18,642,590

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$1,034,774,000 (31 December 2013: HK$1,616,119,000), which are financing in nature and repayable within one year, the amounts due from subsidiaries of HK$164,412,000 (31 December 2013: HK$164,515,000) 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 2014 and 31 December 2013 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 2014 are set out in note 39 to the financial statements.

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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:

	2014	2013
Percentage of equity interest held by non-controlling interests	**46%**	46%

	2014 HK$'000	2013 HK$'000
Profit for the year allocated to non-controlling interests	**86,542**	227,266
Accumulated balances of non-controlling interests at the reporting dates	**2,522,173**	2,444,151

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

	2014 HK$'000	2013 HK$'000
Revenue	**28,321,576**	26,221,763
Total expenses	**(28,131,481)**	(25,567,547)
Profit for the year	**190,095**	654,216
Attributable to:		
Owners of EOGI	**188,135**	494,056
Non-controlling interests of EOGI	**1,960**	160,160
Total comprehensive income for the year	**171,573**	684,036
Attributable to:		
Owners of EOGI	**169,613**	651,226
Non-controlling interests of EOGI	**1,960**	32,810

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

	2014 HK$'000	2013 HK$'000
Current assets	**13,360,038**	19,245,742
Non-current assets	**2,572,032**	2,912,504
Current liabilities	**(10,272,942)**	(16,696,357)
Non-current liabilities	**(47,785)**	(22,119)
Net cash flows from/(used in) operating activities	**(2,348,137)**	4,951,083
Net cash flows from/(used in) investing activities	**734,980**	(2,398,402)
Net cash flows from/(used in) financing activities	**1,633,484**	(683,607)
Effect of foreign exchange rate changes, net	**54,319**	118,197
Net increase in cash and cash equivalents	**74,646**	1,987,271

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18. Investments in Associates

	Group	
	2014 **HK$'000**	**2013** **HK$'000**
Share of net assets	**2,057,236**	2,144,308
Goodwill on acquisition	**28,356**	28,356
	2,085,592	2,172,664
Loans to associates	**130,558**	130,558
	2,216,150	2,303,222

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 part of the Company's net 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$211,579,000 (2013: HK$79,506,000) included in current assets, which are unsecured and bear interest at rates of 4.0% and 4.2% per annum (2013: 2.5% per annum). The amounts due from associates included in non-current assets as at 31 December 2013 were unsecured, not repayable within one year and bore interest at a rate of 4.0% per annum.

Impairment testing of goodwill

Goodwill acquired through business combinations is 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:

	2014 **HK$'000**	**2013** **HK$'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.

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:

	2014 HK$'000	2013 HK$'000
Share of the associates' profit for the year	**14,796**	184,102
Share of the associates' total comprehensive income	**14,796**	184,102
Aggregate carrying amount of the Group's investments in the associates	**2,216,150**	2,303,222

Particulars of the Group's principal associates as at 31 December 2014 are set out in note 40 to the financial statements.

19. Available-for-Sale Investments

		Group	
	Notes	2014 HK$'000	2013 HK$'000
Current			
Available-for-sale investments:			
Bank wealth management products, at cost	(a)	**253,527**	1,691,617
Non-current			
Available-for-sale investments:			
Unlisted equity investments, at cost	(b)	**380**	382

Notes:

(a) Bank wealth management products were issued by reputable banks in Mainland China and there are no fixed or determinable returns of these bank wealth management products, or with maturity date beyond three months when acquired.

(b) 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.

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20. Intangible Assets

	Group		
	Golf club membership HK$'000	**Others HK$'000**	**Total HK$'000**
31 December 2014			
Cost at 31 December 2013 and 1 January 2014, net of accumulated amortisation	**23,162**	**36,826**	**59,988**
Additions	**–**	**4,843**	**4,843**
Acquisition of a subsidiary (note 33)	**–**	**29,133**	**29,133**
Disposals	**(13,488)**	**(1,738)**	**(15,226)**
Amortisation provided during the year (note 6)	**–**	**(3,378)**	**(3,378)**
Exchange realignment	**(41)**	**(2)**	**(43)**
At 31 December 2014	**9,633**	**65,684**	**75,317**
At 31 December 2014:			
Cost	**9,633**	**81,832**	**91,465**
Accumulated amortisation	**–**	**(16,148)**	**(16,148)**
Net carrying amount	**9,633**	**65,684**	**75,317**
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

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21. Inventories

	Group	
	2014 **HK$'000**	**2013** **HK$'000**
Raw materials	**12,406,917**	11,487,113
Work in progress	**972,403**	1,262,034
Finished goods	**5,539,121**	5,555,275
	18,918,441	18,304,422

22. Accounts and Bills Receivables

	Group	
	2014 **HK$'000**	**2013** **HK$'000**
Accounts and bills receivables	**2,622,018**	4,262,173
Impairment	**(22,038)**	(17,397)
	2,599,980	4,244,776

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.

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22. Accounts and Bills Receivables (continued)

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

	Group	
	2014 **HK$'000**	**2013** **HK$'000**
Within 3 months	**2,570,132**	3,633,086
3 to 12 months	**26,349**	598,075
1 to 2 years	**3,000**	12,762
2 to 3 years	**499**	853
	2,599,980	4,244,776

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

	Group	
	2014 **HK$'000**	**2013** **HK$'000**
At 1 January	**17,397**	15,747
Impairment losses recognised (note 6)	**4,851**	1,491
Impairment write-off	**(86)**	(352)
Exchange realignment	**(124)**	511
At 31 December	**22,038**	17,397

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

	Group	
	2014 **HK$'000**	**2013** **HK$'000**
Neither past due nor impaired	**2,556,056**	4,198,477
Less than 1 month past due	**25,676**	11,919
1 to 3 months past due	**5,518**	18,848
More than 3 months but less than 12 months past due	**10,163**	8,232
More than 1 year past due	**2,567**	7,300
	2,599,980	4,244,776

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.

23. Agency Purchase of Grains

Pursuant to the Fagaidian [2013] No. 229, Guoliangtiao [2013] No. 265 and Guoliangtiao [2014] No. 254 issued by certain Chinese government authorities (the "Notices"), during the period from 30 November 2013 to 30 April 2014 and the period from 30 November 2014 to 30 April 2015 (the "Designated Grain Purchase Period"), certain subsidiaries (the "Entrusted Subsidiaries") of biochemical and biofuel business and rice processing and trading business entered into agency purchase agreements (the "Agency Purchase Agreements") with branch companies of China Grain Reserves Corporation ("Sinograin"), which is a state-owned enterprise, and local grain authorities of State Administration of Grain to purchase certain quantities of grains from farmers as agent of Sinograin at prices fixed in the Agency Purchase Agreements during the Designated Grain Purchase Period. According to the Notices and Agency Purchase Agreements, (a) the purchased grains are national grains reserve and should be stored in separate warehouses of the Entrusted Subsidiaries and Sinograin is obliged to pay the Entrusted Subsidiaries with custody fees; (b) the funds for purchase of grains would be financed by Agricultural Development Bank of China ("ADBC"), which is a bank incorporated to implement the Chinese government's agricultural policies, through bank loans lent to the Entrusted Subsidiaries; (c) the interest expenses related to these bank loans would be fully reimbursed by Sinograin to these Entrusted Subsidiaries once the related government subsidies were received by Sinograin; and (d) the principal of the bank loans should be repaid to ADBC upon receipt of funds transferred from Sinograin when the grains are sold out by Sinograin.

As disclosed in the consolidated statement of financial position at 31 December 2014, the balance owed by Sinograin to the Group and short term unsecured bank loans owed by the Group to ADBC as a result of the aforesaid agreements amounted to HK$3,117,959,000 (31 December 2013: Nil) and HK$3,165,800,000 (31 December 2013: Nil), respectively. In view of the fact that the interest expenses to ADBC can be fully reimbursed by the related interest income from Sinograin, the interest expenses to ADBC and the related interest income from Sinograin were presented in the consolidated statement of profit or loss on a net basis. The storage income arising from the aforesaid agreements attributable to current year was HK$167,155,000 (2013: Nil) (note 5), which is recorded as other income in the consolidated statement of profit or loss.

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24. Derivative Financial Instruments

	Group		Group	
	2014		2013	
	Assets HK$'000	Liabilities HK$'000	Assets HK$'000	Liabilities HK$'000
Commodity futures contracts	**505,068**	**36**	521,104	–
Foreign currency forward contracts	**553**	**4,054**	4,418	–
	505,621	**4,090**	525,522	–

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$826,282,000 (2013: gain of HK$2,194,425,000) was recognised in 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 loss on foreign currency forward contracts of HK$7,892,000 (2013: gain of HK$6,638,000) was recognised in the statement of profit or loss during the year (note 6).

25. Cash and Cash Equivalents and Pledged Deposits

		Group		Company	
	Note	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000
Cash and bank balances		**7,645,764**	10,100,313	**291,581**	358,569
Time deposits		**654,468**	810,611	**639,827**	810,611
Bank wealth management products		**4,278,271**	3,033,463	**–**	–
		12,578,503	13,944,387	**931,408**	1,169,180
Less: Pledged for bills payable	26	**(24,443)**	–	**–**	–
Others		**(2,616)**	(663)	**–**	–
		(27,059)	(663)	**–**	–
Cash and cash equivalents		**12,551,444**	13,943,724	**931,408**	1,169,180

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

At the end of the reporting period, the cash and cash equivalents of the Group denominated in Renminbi ("RMB") amounted to HK$11,514,016,000 (2013: HK$13,092,451,000). 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 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.

26. 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	
	2014 **HK$'000**	**2013** **HK$'000**
Within 3 months	**5,109,240**	7,918,502
3 to 12 months	**27,329**	53,718
1 to 2 years	**13,860**	11,179
Over 2 years	**6,283**	5,619
	5,156,712	7,989,018

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

As at 31 December 2014, HK$24,443,000 (31 December 2013: Nil) of the Group's bills payable are secured by bank deposits of the Group (note 25).

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27. Interest-Bearing Bank and Other Borrowings

Group

	2014			2013		
	Effective contractual interest rate (%)	Maturity	HK$'000	Effective contractual interest rate (%)	Maturity	HK$'000
Current						
Bank loans – unsecured	**0.95-6.55, LIBOR+1%**	**2015**	**25,772,973**	0.83-6.55, LIBOR+1%	2014	27,725,012
Bank loans – secured	**6.55**	**2015**	**50,934**	6.55	2014	23,988
Other loans – unsecured	**1.16-5.6**	**2015**	**3,508,248**	1.16-3.4	2014	2,484,451
			29,332,155			30,233,451
Non-current						
Bank loans – unsecured	**2.7-6.55, LIBOR+1%**	**2016-2023**	**683,313**	5.84-6.55, LIBOR+1%	2015-2023	1,759,854
Bank loans – secured	**6.55**	**2016-2019**	**364,078**	6.55	2015-2019	162,662
			1,047,391			1,922,516
			30,379,546			32,155,967

Company

	2014			2013		
	Effective contractual interest rate (%)	Maturity	HK$'000	Effective contractual interest rate (%)	Maturity	HK$'000
Current						
Bank loans – unsecured	**LIBOR+1%**	**2015**	**949,681**	LIBOR+1%	2014	994,500
Other loans – unsecured			**–**	3.4	2014	63,824
			949,681			1,058,324
Non-current						
Bank loans – unsecured			**–**	LIBOR+1%	2015	955,500
			–			955,500
			949,681			2,013,824

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

Group

	2014 HK$'000	2013 HK$'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**25,823,907**	27,749,000
In the second year	**513,282**	1,117,954
In the third to fifth years, inclusive	**182,340**	461,850
Beyond five years	**351,769**	342,712
	26,871,298	29,671,516
Other loans repayable:		
Within one year or on demand	**3,508,248**	2,484,451
	3,508,248	2,484,451
	30,379,546	32,155,967

Company

	2014 HK$'000	2013 HK$'000
Analysed into:		
Bank loans repayable within one year or on demand	**949,681**	994,500
Bank loans repayable in the second year	**–**	955,500
	949,681	1,950,000
Other loans repayable within one year or on demand	**–**	63,824
	949,681	2,013,824

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$487,044,000 (2013: HK$262,665,000) (note 14); and

(ii) certain land use rights of the Group with a net carrying amount of HK$106,023,000 (2013: HK$109,188,000) (note 15).

(b) Except for bank and other borrowings of HK$24,434,255,000 (2013: HK$26,509,443,000) which are denominated in United States dollars, all other borrowings are denominated in RMB.

(c) The other loans represented loans from fellow subsidiaries.

28. 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, 2012 and 2013 and, most recently, the conversion price of the convertible bonds had been adjusted to HK$9.868 per share with effect from 14 June 2014 as a result of the declaration of 2013 final 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.

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28. 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 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 and 1 January 2014	**1,239,778**	**19,281**
Interest expense	**33,593**	**–**
Interest paid	**(12,064)**	**–**
At 31 December 2014	**1,261,307**	**19,281**

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28. Convertible Bonds (continued)

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

	2014 HK$'000	2013 HK$'000
Current portion included in other payables	**5,061**	5,060
Current portion included in convertible bonds	**1,256,246**	–
Non-current portion included in convertible bonds	**–**	1,234,718
	1,261,307	1,239,778

29. 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 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
At 31 December 2013 and at 1 January 2014	**325,164**	**7,180**	**–**	**306,112**	**168,544**	**807,000**
Deferred tax credited/(charged) to the statement of profit or loss during the year (note 10)	**(173,876)**	**969**	**666**	**461,826**	**14,593**	**304,178**
Exchange realignment	**(658)**	**(26)**	**–**	**(1,259)**	**(545)**	**(2,488)**
Gross deferred tax assets at 31 December 2014	**150,630**	**8,123**	**666**	**766,679**	**182,592**	**1,108,690**

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29. Deferred Tax (continued)

Deferred tax liabilities

Group

	Depreciation allowance in excess 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 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
At 31 December 2013 and at 1 January 2014	**20**	**41,818**	**119,574**	**81,437**	**213**	**243,062**
Acquisition of a subsidiary (note 33)	**–**	**4,721**	**–**	**–**	**–**	**4,721**
Deferred tax charged/(credited) to the statement of profit or loss during the year (note 10)	**148**	**(2,402)**	**(11,855)**	**(81,437)**	**8,901**	**(86,645)**
Exchange realignment	**–**	**(40)**	**(286)**	**–**	**(1)**	**(327)**
Gross deferred tax liabilities at 31 December 2014	**168**	**44,097**	**107,433**	**–**	**9,113**	**160,811**

The Group has tax losses arising in Mainland China of HK$2,460,431,000 (2013: HK$1,294,776,000) 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.

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29. 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, 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 Mainland China 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 during the year ended 31 December 2013.

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 incorporated in Hong Kong are deductible due to the availability of double taxation relief between Mainland China and Hong Kong. A deferred tax liability of HK$81,437,000 had been provided on the then expected remittance of the unremitted earnings in the non-CREs of the Group in the foreseeable future as at 31 December 2013. In the current year, management updated the remittance plan of the unremitted earnings in the aforesaid non-CREs of the Group and reversed deferred tax liability of HK$81,437,000 due to the significant loss occurred in the non-CRE entity. As at 31 December 2014, deferred tax liability of HK$90,528,000 (2013: 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.

30. Share Capital

Shares

	2014 HK$'000	2013 HK$'000
Authorised: (note (i))		
Nil (2013: 10,000,000,000 ordinary shares of HK$0.10 each) (note (ii))	–	1,000,000
Issued and fully paid:		
5,249,880,788 (2013: 5,249,880,788) ordinary shares	**9,771,664**	524,988

A summary of the transactions during the year in the Company's issued share capital is as follows:

	Issued capital HK$'000	Share premium HK$'000	Total HK$'000
At 1 January 2013, 31 December 2013 and 1 January 2014	**524,988**	**9,246,676**	**9,771,664**
Transfer to no-par value regime on 3 March 2014 (note (iii))	**9,246,676**	**(9,246,676)**	**–**
At 31 December 2014	**9,771,664**	**–**	**9,771,664**

Notes:

(i) Under the Hong Kong Companies Ordinance (Cap. 622), which became effective on 3 March 2014, the concept of authorised share capital no longer exists.

(ii) In accordance with section 135 of the Hong Kong Companies Ordinance (Cap. 622), the Company's shares no longer have a par or nominal value with effect from 3 March 2014. There is no impact on the number of shares in issue or the relative entitlement of any of the members of the Company as a result of this transition.

(iii) In accordance with the transitional provisions set out in section 37 of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622), on 3 March 2014, any amount standing to the credit of the share premium account has become part of the Company's share capital.

Share options

Details of the Company's share option scheme and share options issued under the scheme are included in note 31 to the financial statements.

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31. 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) HK$0.1.

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

31. 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 on 28 March 2013, the exercise prices and the outstanding number of share options of the 2007 Options and the 2011 Options had 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:

	2014		2013	
	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	**4.399**	**24,180**	4.666	23,179
Additional options arising from the Adjustments	**4.399**	**–**	4.399	1,360
Forfeited during the year	**4.399**	**(1,107)**	4.399	(359)
Expired during the year	**4.399**	**(23,073)**	4.399	–
At 31 December	**4.399**	**–**	4.399	24,180

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31. Share Option Scheme (continued)

The vesting periods, exercise price and exercise periods of the 2007 Options outstanding as at 31 December 2014 and 2013 are as follows:

2014	2013			
Number of options granted *			Exercise price*	
Total '000	Total '000	Vesting period (d-m-yyyy)	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			

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

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

	2014		2013	
	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	**8.220**	**45,491**	8.720	44,550
Additional options arising from the Adjustments	**8.220**	**–**	8.220	2,646
Forfeited during the year	**8.220**	**(1,908)**	8.220	(1,705)
At 31 December	**8.220**	**43,583**	8.220	45,491

The vesting periods, exercise price and exercise periods of the 2011 Options outstanding as at 31 December 2014 and 2013 are as follows:

2014	2013			
Number of options granted *			Exercise price*	
Total '000	Total '000	Vesting period (dd-m-yyyy)	HK$ per share	Exercise period (dd-m-yyyy)
8,755	9,211	**31-3-2011 to 30-3-2013**	**8.220**	**31-3-2013 to 30-3-2018**
8,755	9,070	**31-3-2011 to 30-3-2014**	**8.220**	**31-3-2014 to 30-3-2018**
8,691	9,070	**31-3-2011 to 30-3-2015**	**8.220**	**31-3-2015 to 30-3-2018**
8,691	9,070	**31-3-2011 to 30-3-2016**	**8.220**	**31-3-2016 to 30-3-2018**
8,691	9,070	**31-3-2011 to 30-3-2017**	**8.220**	**31-3-2017 to 30-3-2018**
43,583	45,491			

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

31. Share Option Scheme (continued)

The fair values of the 2007 Options and 2011 Options were HK$48,459,000 (2013: HK$48,459,000) (including an additional fair value of approximately HK$2,759,000 arising from the Modification) and HK$173,616,000 (2013: HK$173,616,000), respectively, of which the Group recognised share option expenses of HK$24,506,000 (2013: HK$37,878,000) 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 43,583,000 (2013: 69,671,000) 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 43,583,000 (2013: 69,671,000) additional ordinary shares of the Company and additional share capital of HK$358,252,260 (2013: HK$480,303,840) (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 0.8% (2013: 1.3%) of the Company's shares in issue as at that date.

32. 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 previous nominal value of the Company's shares issued in exchange therefor.

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32. Reserves (continued)

(a) Group (continued)

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.

(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 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	31	–	–	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 and at 1 January 2014		**9,246,676**	**5,689,788**	**164,023**	**2,762,787**	**17,863,274**
Total comprehensive income for the year		**–**	**–**	**–**	**1,128,076**	**1,128,076**
Equity-settled share option arrangements	31	**–**	**–**	**24,506**	**–**	**24,506**
Transfer of share option reserve upon the forfeiture or expiry of share options		**–**	**–**	**(41,143)**	**41,143**	**–**
Transfer to no-par value regime	30(iii)	**(9,246,676)**	**–**	**–**	**–**	**(9,246,676)**
At 31 December 2014		**–**	**5,689,788**	**147,386**	**3,932,006**	**9,769,180**

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 previous 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 capital account when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited.

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33. Business Combinations

Business combinations for the year ended 31 December 2014

During the year ended 31 December 2014, the Group acquired a 51% equity interest in COFCO Nisshin (Dalian) Oil Mills Limited ("COFCO Nisshin") (formerly known as Dalian Nisshin Oil Mills, Ltd.) from a third party at a cash consideration of approximately HK$14,063,000 plus contingent consideration (note a). COFCO Nisshin is engaged in the production and sale of edible oil.

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

The fair values of the identifiable assets and liabilities of COFCO Nisshin at the date of acquisition were as follows:

	Notes	Fair value recognised on acquisition HK$'000
Property, plant and equipment	14	**264,492**
Intangible assets	20	**29,133**
Inventories		**74,243**
Accounts receivable		**12,533**
Prepayments, deposits and other receivables		**22,740**
Cash and cash equivalents		**355,755**
Accounts and bills payables		**(236,325)**
Bank and other borrowings		**(410,528)**
Other payables and accruals		**(76,469)**
Deferred tax liabilities	29	**(4,721)**
Total identifiable net assets at fair value		**30,853**
Non-controlling interest		**(15,118)**
Gain on bargain purchase	5	**(1,672)**
		14,063
Satisfied by:		
Cash		**14,063**
Contingent consideration	(a)	**–**

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33. Business Combinations (continued)

Business combinations for the year ended 31 December 2014 (continued)

Note:

(a) The contingent consideration arrangement requires the Group to pay the seller up to a maximum cash consideration of RMB70,000,000 out of the dividends to be apportioned to the Group in the future with an annual cap of RMB10,000,000, provided that the patents owned by COFCO Nisshin relating to certain edible oil remains effective during the period from the acquisition date to the expiry date of the patents held by COFCO Nisshin. Directors of the Company are of the opinion that given that the amount of accumulated losses of COFCO Nisshin is material, the discounted value of the future dividends to be distributed, if any, is immaterial.

An analysis of the cash flows in respect of the acquisition of COFCO Nisshin is as follows:

	2014 HK$'000
Cash consideration	(14,063)
Cash and cash equivalents acquired	355,755
Net inflow of cash and cash equivalents in respect of the acquisition of COFCO Nisshin	341,692

During the year ended 31 December 2014, COFCO Nisshin generated revenue and net profit of approximately HK$2,350,294,000 and HK$18,689,000, respectively. Since the acquisition date, COFCO Nisshin contributed revenue of HK$1,863,419,000 to the Group and contributed a net profit of approximately HK$18,452,000 to the Group's consolidated loss for the year ended 31 December 2014.

Business combinations for the year ended 31 December 2013

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

34. 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 2014, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2014 HK$'000	2013 HK$'000
Within one year	33,092	19,081
In the second to fifth years, inclusive	11,000	12,726
After five years	44,598	45,550
	88,690	77,357

35. Contingent Liabilities

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

	Company	
	2014 **HK$'000**	**2013** **HK$'000**
Guarantees given to banks in connection with facilities granted to subsidiaries	**12,194,683**	10,865,400

As at 31 December 2014, the banking facilities granted to certain subsidiaries subject to guarantees given to banks by the Company were utilised to the extent of approximately HK$5,235,433,000 (31 December 2013: HK$5,498,506,000).

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 28).

36. Capital Commitments

In addition to the operating lease commitments detailed in note 34 above, the Group had the following capital commitments at the end of the reporting period:

	2014 **HK$'000**	**2013** **HK$'000**
Capital commitments in respect of property, plant and equipment:		
Authorised, but not contracted for	**2,512,737**	544,212
Contracted, but not provided for	**360,252**	967,163
	2,872,989	1,511,375

37. Other Commitments

Commitments under commodity futures contracts:

	Group	
	2014 **HK$'000**	**2013** **HK$'000**
Sales contracts	**16,991,466**	23,449,119
Purchases contracts	**3,304,231**	4,543,498

Commitments under foreign currency forward contracts:

As at 31 December 2014, the Group has commitments under non-deliverable and deliverable foreign currency forward contracts of sales of United States dollars with an aggregate notional amount of HK$1,204,273,000 (31 December 2013: HK$164,197,000).

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38. 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:

		Group	
	Notes	2014 HK$'000	2013 HK$'000
Transactions with fellow subsidiaries:			
Sales of goods**	(i)	**8,935,898**	10,198,924
Purchases of goods**	(i)	**1,975,754**	6,532,332
Operating lease rental paid*	(i)	**4,331**	4,287
Interest income**	(iii)	**7,071**	17,599
Interest expense	(ii)	**17,218**	62,461
Brokerage fees paid*	(i)	**17,650**	30,884
Other service fee paid**	(i)	**37,164**	32,381
Processing service and other income**	(i)	**17,690**	47,730
Transactions with the ultimate holding company:			
Operating lease rental paid*	(i)	**35,236**	33,494
Interest expense	(ii)	**12,752**	26,276
Transaction with an intermediate holding company:			
Interest expense	(ii)	**1,385**	49,251
Transactions with associates:			
Sales of goods**	(i)	**930,818**	1,816,338
Purchases of goods**	(i)	**182,200**	612,182
Interest income*	(iii)	**7,598**	6,800
Logistics service and storage fee paid*	(i)	**8,426**	3,940
Transactions with related companies:#			
Sales of goods**	(i)	**275,515**	395,043
Purchases of goods**	(i)	**1,215,163**	3,565,042
Brokerage fees paid	(i)	**4,261**	6,353
Transactions with non-controlling shareholders of subsidiaries:			
Sales of goods	(i)	**602,212**	922,320
Purchases of goods	(i)	**46,504**	62,516

* 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.

38. Connected and Related Party Transactions (continued)

(a) (continued)

Notes:

(i) Except for the transactions with an associate for sales of goods of HK$46,514,000 (2013: HK$738,756,000 with an associate and HK$340,813,000 with a fellow subsidiary), 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 1.12% to 5.6% (2013: 1.16% 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 a rate of 3.4% (2013: 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 a rate of 5% (2013: 5.04% to 5.32%) per annum.

(iii) The interest income from fellow subsidiaries represented interest income arose from loans to a fellow subsidiary, which were unsecured and bore interest at a rate of 5.6% (2013: 5.6%) per annum. The interest income from associates arose from loans to an associate, which were unsecured and bore interest at rates ranged from 2.5% to 4.2% (2013: 2.5% and 4%) per annum.

(b) Outstanding balances with related parties

Except for the following, 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$3,127,957,000 (31 December 2013: HK$2,420,627,000) which bear interest at rates ranged from 1.16% to 5.6% (31 December 2013: 1.16% to 1.77%) per annum and are repayable within one year. Loans from an intermediate holding company of HK$63,824,000 as at 31 December 2013 which bore interest at a rate of 3.4% per annum and were repaid during the year. Loans from the ultimate holding company of HK$380,291,000 (31 December 2013: Nil) which bear interest at a rate of 5% per annum and are repayable within one year.

(2) Amounts due to non-controlling shareholders of subsidiaries of HK$210,161,000 (31 December 2013: HK$210,467,000) 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 as at 31 December 2013 which bore interest at a rate of 5.6% per annum and was repaid during the year.

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38. 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 to become a new shareholder of COFCO Excel Joy upon the issuance of revised business license of COFCO Excel Joy resulted from the capital increase. During the year, the capital increase has been completed and, immediately after the completion of the capital increase, COFCO Excel Joy was 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.

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 to become a new shareholder of COFCO Yellowsea upon the issuance of revised business license of COFCO Yellowsea resulted from the capital increase. During the year, the capital increase has been completed and COFCO Yellowsea is 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.

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 to become a new shareholder of COFCO Qinzhou upon the issuance of revised business license of COFCO Qinzhou resulted from the capital increase. During the year, the capital increase has been completed and COFCO Qinzhou is 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.

38. Connected and Related Party Transactions (continued)

(d) Commitments with related parties

During the year ended 31 December 2014, the Group entered into purchase agreements with Noble Resources Pte Ltd. and Concordia Agritrading Pte Ltd., the fellow subsidiaries of the Group, pursuant to which the Group agreed to purchase soybean from Noble Resources Pte Ltd. and Concordia Agritrading Pte Ltd. of approximately HK$1,014,913,000 and HK$399,862,000, respectively. The Group expects that these transactions will take place in the first half of 2015.

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

The amount of total transactions with related parties for the year is included in note 38(a) to the 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

	2014 HK$'000	2013 HK$'000
Short term employee benefits	**14,971**	11,704
Post-employment benefits	**462**	326
Equity-settled share option expense	**2,730**	3,924
Total compensation paid to key management personnel	**18,163**	15,954

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.

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39. Particulars of Principal Subsidiaries

Particulars of the principal subsidiaries as at 31 December 2014 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
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$84,159,095	70.62	Production and sale of edible oil
China Agri Oils Trading Limited*	Hong Kong/ Hong Kong	Ordinary HK$1	100	Trading of soybeans and oils
中糧四海豐（張家港）貿易有限公司****	The PRC/ Mainland China	RMB20,000,000	73.43	Trading of soybeans and oils
COFCO Oils (Qinzhou) Co., Ltd.**	The PRC/ Mainland China	RMB948,036,187	95.32	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

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39. 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 Excel Joy (Tianjin) Co., Ltd. **	The PRC/ Mainland China	US$233,557,790.25	75.83	Production and sale of edible oil
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 International (Beijing) Co., Ltd. ***	The PRC/ Mainland China	RMB240,000,000	100	Trading of rice
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 Bio-Energy (Zhaodong) Co., Ltd. *** ("Zhaodong Bio-Energy")	The PRC/ Mainland China	RMB380,000,000	100	Production and sale of biofuel and biochemicals
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 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

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39. 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 (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
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
中糧（成都）糧油工業有限公司***	The PRC/ Mainland China	US$84,620,000	100	Production and sale of rice, wheat, feed and biochemicals

* 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

Except for China Agri Oils Trading Limited and China Agri Trading (HK) 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.

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40. Particulars of Principal Associates

Particulars of the principal associates as at 31 December 2014 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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41. Financial Instruments by Category

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

Financial assets

	Group			
2014	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	–	–	253,527	253,527
Accounts and bills receivables	–	2,599,980	–	2,599,980
Other receivables due from Sinograin	–	3,117,959	–	3,117,959
Financial assets included in prepayments, deposits and other receivables*	–	1,560,623	–	1,560,623
Derivative financial instruments	505,621	–	–	505,621
Due from related parties	–	3,768,504	–	3,768,504
Pledged deposits	–	27,059	–	27,059
Cash and cash equivalents	–	12,551,444	–	12,551,444
Total	505,621	23,625,569	253,527	24,384,717

2013	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

* Included in "Prepayments, deposits and other receivables" of HK$3,976,571,000 (31 December 2013: HK$4,175,051,000) in the consolidated statement of financial position are prepayments to suppliers of HK$878,769,000 (31 December 2013: HK$1,239,846,000), and deposits relating to commodity futures contracts of HK$522,572,000 (31 December 2013: HK$953,632,000) and other miscellaneous prepayments, deposits and other receivables of HK$2,575,230,000 (31 December 2013: HK$1,981,573,000), of which HK$1,560,623,000 (31 December 2013: HK$1,556,772,000) are financial assets as disclosed above.

41. 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		
2014	**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	**–**	**5,156,712**	**5,156,712**
Other payables*	**–**	**2,534,867**	**2,534,867**
Bank borrowings due to ADBC	**–**	**3,165,800**	**3,165,800**
Interest-bearing bank and other borrowings	**–**	**30,379,546**	**30,379,546**
Convertible bonds	**–**	**1,256,246**	**1,256,246**
Derivative financial instruments	**4,090**	**–**	**4,090**
Due to related parties	**–**	**495,276**	**495,276**
Total	**4,090**	**42,988,447**	**42,992,537**

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

* Included in "Other payables and accruals" of HK$4,291,372,000 (31 December 2013: HK$5,688,371,000) in the consolidated statement of financial position are advances from customers of HK$1,628,532,000 (31 December 2013: HK$1,594,842,000), accrued staff payroll and benefits of HK$424,075,000 (31 December 2013: HK$453,029,000), and other miscellaneous payables and accruals of HK$2,238,765,000 (31 December 2013: HK$3,640,500,000), of which HK$2,534,867,000 (31 December 2013: HK$3,173,812,000) are financial liabilities as disclosed above.

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41. 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	
	2014 Loans and receivables HK$'000	**2013 Loans and receivables HK$'000**
Due from subsidiaries	**1,199,186**	1,780,634
Dividend receivable	**263,367**	–
Financial assets included in prepayments, deposits and other receivables	**827**	1,070
Cash and cash equivalents	**931,408**	1,169,180
	2,394,788	2,950,884

Financial liabilities

	Company	
	2014 Financial liabilities at amortised cost HK$'000	**2013 Financial liabilities at amortised cost HK$'000**
Financial liabilities included in other payables and accruals	**13,749**	48,878
Due to subsidiaries	**904,645**	926,707
Due to an intermediate holding company	**–**	1,071
Interest-bearing bank and other borrowings	**949,681**	2,013,824
	1,868,075	2,990,480

42. 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	
	2014 HK$'000	**2013 HK$'000**	**2014 HK$'000**	**2013 HK$'000**
Financial assets				
Derivative financial instruments	**505,621**	525,522	**505,621**	525,522
Due from related parties	**–**	132,786	**–**	129,471
	505,621	658,308	**505,621**	654,993
Financial liabilities				
Derivative financial instruments	**4,090**	–	**4,090**	–
Interest-bearing bank and other borrowings	**30,379,546**	32,155,967	**30,378,729**	32,176,324
	30,383,636	32,155,967	**30,382,819**	32,176,324

Company

	Carrying amounts		Fair values	
	2014 HK$'000	**2013 HK$'000**	**2014 HK$'000**	**2013 HK$'000**
Financial liabilities				
Interest-bearing bank and other borrowings	**949,681**	2,013,824	**949,697**	2,013,868

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.

The Group's finance department is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer and the audit committee. At each reporting date, the finance department 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.

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

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 with related parties, non-current portion of bank wealth management products included in available-for sale investments, interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for amounts due to related parties, derivative financial liabilities and interest-bearing bank and other borrowings as at 31 December 2014 was assessed to be insignificant. The fair value of the liability portion of the convertible bonds is 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 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 2014, 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.

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 2014	**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	**505,621**	**–**	**–**	**505,621**
As at 31 December 2013	**(Level 1) HK$'000**	**(Level 2) HK$'000**	**(Level 3) HK$'000**	**Total HK$'000**
Derivative financial instruments	525,522	–	–	525,522

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

Fair value hierarchy (continued)

Liabilities measured at fair value

Group

As at 31 December 2014	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	**4,090**	**–**	**–**	**4,090**
As at 31 December 2013	(Level 1) HK$'000	(Level 2) HK$'000	(Level 3) HK$'000	Total HK$'000
Derivative financial instruments	–	–	–	–

Assets for which fair values are disclosed

Group

	Fair value measurement using			
As at 31 December 2014	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
Due from related parties	**–**	**–**	**–**	**–**
As at 31 December 2013	(Level 1) HK$'000	(Level 2) HK$'000	(Level 3) HK$'000	Total HK$'000
Due from related parties	–	129,471	–	129,471

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42. 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 2014	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	**–**	**30,378,729**	**–**	**30,378,729**
As at 31 December 2013	(Level 1) HK$'000	(Level 2) HK$'000	(Level 3) HK$'000	Total HK$'000
Interest-bearing bank and other borrowings	–	32,176,324	–	32,176,324

Company

	Fair value measurement using			
As at 31 December 2014	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	**–**	**949,697**	**–**	**949,697**
As at 31 December 2013	(Level 1) HK$'000	(Level 2) HK$'000	(Level 3) HK$'000	Total HK$'000
Interest-bearing bank and other borrowings	–	2,013,868	–	2,013,868

43. 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.

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 27. 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**
2014	**100**	**(18,354)**	**(14,990)**
	(100)	**18,354**	**14,990**
2013	100	(31,396)	(25,242)
	(100)	31,396	25,242

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43. Financial Risk Management Objectives and Policies (continued)

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 3% (2013: 5%) of the Group's sales are denominated in currencies other than the functional currency of the operating units making the sale, whilst almost 41% (2013: 36%) 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.

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**
2014			
If Renminbi weakens against Hong Kong dollar	**5**	**–**	**(2,572,107)**
If Renminbi strengthens against Hong Kong dollar	**(5)**	**–**	**2,572,107**
If Renminbi weakens against United States dollar	**5**	**(1,075,663)**	**(878,519)**
If Renminbi strengthens against United States dollar	**(5)**	**1,075,663**	**878,519**
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

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.

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43. 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

	2014			
	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	**5,156,712**	**–**	**–**	**5,156,712**
Other payables	**2,534,867**	**–**	**–**	**2,534,867**
Derivative financial instruments	**4,090**	**–**	**–**	**4,090**
Bank borrowings due to ADBC	**3,165,800**	**–**	**–**	**3,165,800**
Interest-bearing bank and other borrowings	**29,535,819**	**556,441**	**620,296**	**30,712,556**
Convertible bonds	**1,281,678**	**–**	**–**	**1,281,678**
Due to related parties	**495,276**	**–**	**–**	**495,276**
	42,174,242	**556,441**	**620,296**	**43,350,979**

	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

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43. 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

	2014			
	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	**904,645**	–	–	**904,645**
Other payables	**13,749**	–	–	**13,749**
Interest-bearing bank and other borrowings	**953,861**	–	–	**953,861**
Guarantees given to banks in connection with facilities granted to subsidiaries#	**12,194,683**	–	–	**12,194,683**
	14,066,938	–	–	**14,066,938**

	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

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 28).

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43. 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
2014			
Soybeans	**5**	**1,816,108**	**1,448,616**
Corn	**5**	**642,902**	**499,348**
Rice	**5**	**341,870**	**181,495**
Barley	**5**	**96,568**	**93,680**
Wheat	**5**	**388,642**	**344,509**
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

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 2014 and 31 December 2013.

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43. 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	
	2014 **HK$'000**	**2013** **HK$'000**
Interest-bearing bank and other borrowings	**30,379,546**	32,155,967
Convertible bonds	**1,256,246**	1,234,718
Less: Cash and cash equivalents	**(12,551,444)**	(13,943,724)
Pledged deposits	**(27,059)**	(663)
Net debt	**19,057,289**	19,446,298
Equity attributable to owners of the Company	**28,075,130**	28,982,703
Gearing ratio	**67.9%**	67.1%

44. Events After the Reporting Period

On 11 August 2014, two non-wholly-owned subsidiaries of the Company, namely COFCO Excel Joy and Tianjin COFCO Excel Joy Lingang Storage Co., Ltd. ("Excel Joy Storage") entered into the Absorption and Merger Agreement, pursuant to which, (a) Excel Joy Storage has been merged and absorbed by COFCO Excel Joy (the "Merger Transaction"); (b) to facilitate and in consideration of the Merger Transaction, COFCO Excel Joy increased its registered capital which has been proportioned to each of their two shareholders, COFCO and Excel Joy International with reference to (i) the assessed net asset value of each of COFCO Excel Joy and Excel Joy Storage, and (ii) the respective equity interests of COFCO and Excel Joy International in each of COFCO Excel Joy and Excel Joy Storage before the Merger Transaction. Further details are given in the announcement of the Company dated 11 August 2014. In January 2015, the Merger Transaction has been completed.

45. Comparative Amounts

As further explained in note 2.2(ii) to the financial statements, due to the change in accounting policy for fair value measurement, certain comparative amounts have been restated to conform with the current year's accounting treatment.

46. Approval of the Financial Statements

The financial statements were approved and authorised for issue by the board of directors on 25 March 2015.

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