



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

Enhancing professional management, Improving operational efficiency

Enhancing professional management, Improving operational efficiency

Enhancing professional management, Improving operational efficiency

專業運營 精細管理

2017 INTERIM REPORT 中期業績報告

Enhancing professional management, Improving operational efficiency

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INTERIM REPORT

中期業績報告

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





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Corporate Information

Directors

Chairman of the Board and Non-executive Director

YU Xubo

Executive Directors

DONG Wei

(Deputy Managing Director)

YANG Hong

SHI Bo

Non-executive Directors

LI Jian¹

JIA Peng

MENG Qingguo²

Independent Non-executive Directors

LAM Wai Hon, Ambrose

Patrick Vincent VIZZONE

ONG Teck Chye

Audit Committee

LAM Wai Hon, Ambrose (Chairman)

Patrick Vincent VIZZONE

ONG Teck Chye

JIA Peng

Remuneration Committee

Patrick Vincent VIZZONE (Chairman)

LAM Wai Hon, Ambrose

ONG Teck Chye

LI Jian¹

MENG Qingguo²

Nomination Committee

YU Xubo (Chairman)

LAM Wai Hon, Ambrose

Patrick Vincent VIZZONE

ONG Teck Chye

Executive Committee

DONG Wei (Chairman)

YANG Hong

SHI Bo

Qualified Accountant

CHAN Ka Lai, Vanessa

Company Secretary

LOOK Pui Fan

Auditor

Ernst & Young

Certified Public Accountants

Legal Advisor

Herbert Smith Freehills LLP

Registered Office

31st Floor, COFCO 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

Banco Santander, S.A.

Bank of China Limited

Bank of China (Hong Kong) Limited

China Construction Bank (Asia)

Corporation Limited

Industrial and Commercial Bank of

China Limited

Rabobank International

(Hong Kong Branch)

Societe Generale Corporate and Investment Banking

The Sumitomo Trust & Banking

Company Limited

United Overseas Bank Limited

Investor Relations

MA Yifan

Telephone: +852 2833 0606

Facsimile: +852 2833 0319

E-mail: ir@cofco.com

Company Website

www.chinaagri.com

Stock Code

606

Effective immediately after the conclusion of the Board meeting held on 30 August 2017,

¹ resigned from the Board and ceased to be a member of the Remuneration Committee

² appointed as a non-executive director and a member of the Remuneration Committee

Financial Highlights

For the six months ended 30 June 2017

	Unit	For the period ended 30 June		Increase/ (Decrease)
		2017	2016	
Revenue:	HK\$ million	44,431.1	40,764.4	9%
– Oilseeds processing	HK\$ million	24,612.7	21,880.1	12%
– Biochemical and biofuel	HK\$ million	5,590.4	5,620.3	(1%)
– Rice processing and trading	HK\$ million	6,283.1	4,523.9	39%
– Wheat processing	HK\$ million	4,140.2	4,047.4	2%
– Brewing materials	HK\$ million	1,231.9	1,650.9	(25%)
– Corporate and others	HK\$ million	2,572.8	3,041.8	(15%)
Profit/(Loss) before tax	HK\$ million	1,533.9	(288.9)	(631%)
Operating profit/(loss) (segment results)	HK\$ million	1,688.1	(52.6)	(3309%)
Operating profit before depreciation and amortisation	HK\$ million	2,456.5	756.2	225%
Operating margin	%	3.8	(0.1)	N/A
Profit/(Loss) attributable to owners of the Company	HK\$ million	1,059.0	(223.3)	(574%)
Earnings/(Loss) per share:				
– Basic	HK cents	20.17	(4.25)	(575%)
– Diluted	HK cents	20.12	(4.25)	(573%)
Interim dividend per share	HK cents	4.0	–	N/A
Closing price per share at period-end	HK\$	3.24	2.55	27%
Market capitalisation at period-end	HK\$ million	17,009.6	13,387.2	27%
Net gearing ratio at period-end	%	65.3	74.9	N/A

Management Discussion and Analysis

- + Oilseeds Processing Business
- + Biochemical & Biofuel Business
- + Rice Processing & Trading Business
- + Wheat Processing Business
- + Brewing Materials Business



Business Review

During the first half of 2017, the Chinese economy has maintained the momentum of steady and sound development. By gradually replacing old drivers of growth with new ones, the economic structure was optimised consistently and the economic growth was more balanced and sustainable. Amid the existing overcapacity issue, the agricultural processing industry focused on value chain expansion, scaling up and integration in competition to capture the business opportunities created by the consistent consumption upgrading and the deregulation of domestic grain pricing. The dominant players were leading the industry to gradually restore competition in order with the improvement of the operating environment and efficiency.

With our industry-leading businesses, China Agri-Industries Holdings Limited (“China Agri” or the “Company”) further enhanced professional operation and refined the management to improve operational efficiency and market competitiveness. In order to capture the opportunities

in consumption upgrading and industry consolidation, the Company has been expanding its business into the downstream consumer goods sector while maintained the stable operation of its processing capacity. Additions to the Company’s portfolio have given it greater strength across the value chain, helping to stabilise performance and laying a sustainable foundation for future growth.

During the period under review, due to the improved environment for the agricultural processing industry, the Company has scaled up, contributing to a 4.3% year-on-year increase in total sales volume to 11.292 million metric tons. As a result of price recoveries in oilseeds products and fuel ethanol compared with the same period of 2016, total revenue increased by 9.0% to HK\$44,431.1 million. All business segments performed well, helping the Company realise financial turnaround compared with the first half of 2016 and deliver HK\$1,059.0 million net profit attributable to equity holders.

Management Discussion and Analysis

Oilseeds Processing Business

During the first half of the 2017, international soybean prices drifted downwards as a result of oversupply led by abundant harvests in South America and expanded cropland in North America. At the same time, sluggish seasonal demand and the slow recovery of the domestic livestock feed industry kept a cap on the price of domestic soybean oils and meals, which declined over the period. With more soybean imports and crushing supply into China, profit margin for the industry narrowed from the peak level at the beginning of the year.

On the background of downward market trend, the Company used market intelligence to make sourcing decision at proper timing and good pace, reducing the costs of raw materials. With the anticipation of following abundant supply, the pace of production and sales was adjusted to avoid the expected decline in prices. The Company accelerated the signing and execution of contracts while the market was still favourable. Both measures helped to support the bottom line. During the period under review, the Company further refined management system in detail to improve year-on-year performance. Effective measures like reducing working capital, strengthening progress control and optimising management system were conducted to tap the full potential of cost saving and efficiency improvement.

In sales of oilseeds meals, the Company made full use of its mature and stable production and processing system. According to the customers' demand, it produced a range of meal products with different protein content based on the quality of the raw materials. These helped to improve the product mix and optimise sales structure. In order to increase market share, the Company applied customised strategies for different downstream customers. For feeds producers, various promotions and discounts were offered according to their inventory levels, differentiated demand



and formula updates. These strengthened cooperation with our existing customers, and led to gaining new customers as well as an increase in direct sales. In addition, based on quality products and brand name, the Company strengthened the construction and maintenance of distribution network to better serve the end consumers which blend feeds by themselves.

In sales of vegetable oils, the Company was able to take advantage of scale production and its geographic footprint to provide customised services for major oil products and meet varied customer demand. With increasing demand for medium- to high-end vegetable oils products, the Company strengthened its ability to supply high value-added oils through innovation and product upgrades, laying a solid foundation for developing towards the end-user market.

During the period under review, the capacity utilisation rate of oilseeds processing business continued to rise, with a sales volume of oilseeds meal of 3.661 million metric tons, a 1.5% increase from the previous year, and sales volume of vegetable oils of 1.816 million metric tons, a 6.2% increase, pushing up the revenue increased 12.5% to HK\$24,612.7 million. Operating profit was HK\$425.6 million, a substantial increase on a year-on-year basis.

Biochemical and Biofuel Business

In the first half of 2017, the cost pressure was eased for processors as market reforms further deepened in corn pricing mechanism. Price differential between regional corns were also restored back to reasonable level.

The Company leveraged its strong footprints advantage in the main producing areas to procure new grains, securing low cost feedstock supply. Responding to the incentive policy in northeast of China, procurement and productions were proactively accelerated to obtain processing subsidies, supporting the year-on-year jump of business performance.

The biochemical business seized the opportunities of increased substitute's demand of sweetener to further expand the business into downstream market. With quality

product, lean management system and better cooperation with high-value customers, the Company was able to increase the sweetener sales and maintained the price premium. Meanwhile, with the recovered crude oil prices and reduction in DDGS imports (imports of Distillers Dried Grain with Solubles), the biofuel business was able to scale up and improve profitability.

During the period under review, the capacity utilisation rate of biochemical and biofuel business increased from a high base level. Total revenue was HK\$5,590.4 million, relatively stable comparing with same period of last year. Profitability improved significantly for the major products, with overall gross margin of 17.2% and operating profit of HK\$753.6 million, a substantial increase year-on-year.



Management Discussion and Analysis

Rice Processing and Trading Business



During the first half of 2017, paddy prices remained stable with the supports of domestic purchasing and storage policies. Packaged rice continued to gain market share as a result of consumption upgrading. Market leaders played a dominant role in the industry consolidation due to their advantages of scale, technology and brand, leading to greater concentration of market share.

Over the course of the period under review, the rice processing and trading business developed steadily. Product upgrading and brand marketing helped to strengthen the branded rice business. The Company is committed to launching specialty products according to both of regional characteristics of the raw materials and customer demand. Examples of such specialty products include “Authentic Silky Rice” series long grain rice and “New Grain Nutritious Rice”. Besides, some interactive experiential marketing methods were also used to achieve positive market feedback and market impact. Brand building has been focused on themes of “Good Rice” and “Taste of Happiness”. Collaboration with influential media including CCTV, key visuals of the “Fortune” (福临门) brand have been updated. The Company also hosted offline events with a local culture dimension to strengthen the brand conception with “Good Rice on the Tip of Tongue” during major holidays such as Chinese New Year, Mid-Autumn Festival, and National Day.

In the international trading business, the Company took advantage of its experience to aggressively expand overseas market such as Africa. Sales volume increased significantly compared with the same period of last year, improving capacity utilisation rate substantially. Overall gross profit margin rose 2.2 percentage points to 14.0%.

During the period, there were scale increases across a variety of businesses including branded products, international trading and grain reserve services. Total sales increased 44.6% to 1.299 million metric tons. Revenue reached HK\$6,283.1 million, up 38.9%, and operating profit rose sharply to HK\$277.4 million.

Wheat Processing Business



In the first half of 2017, domestic wheat prices remained at a high level with the market dominated by national auctions of wheat stockpiles and reserves rotation. Prices for high-quality wheat rose steadily, driven by tight supply. Consumption in the flour market was stable, with market segments for packaged and branded products showing continuous gains.

In wheat processing, the Company has been working hard to stay with the market trend by transforming towards branded business to meet the demand of end-users. By leveraging the mature branded-rice sales channels including traditional, modern and e-commerce platforms, the wheat processing business was able to conduct online advertising and offline marketing activities more effectively. The collaboration led to continuous sales growth of branded flour products and a rapid improvement in market position.

The special purpose flour business has set up varied service strategies according to different customer characteristics. Responding to the rapidly upgrading demand of bakery

and snack foods, the Company focused on research and development to promote product improvement and innovation, providing diversified and customised services to maintain product premium advantage. For the instant noodles and quick-frozen foods producers, the Company used the long-term established win-win cooperation to maintain the sales volume of key accounts and exclusive partnership. In terms of the restaurant, the Company relied on product quality and mature customer services to achieve sales expansion. With further business development on current customers, the Company could increase the percentage of direct sales and establish more long-term strategic cooperation.

During the period, the Company expanded market in the wheat processing business, sales of flour products increased by 13.7% year-over-year to 1.110 million metric tons, realising total revenue of HK\$4,140.2 million, an increase of 2.3% year-over-year. Benefitting from cost-efficient operations and development of branded business, operating profit rose to HK\$63.5 million.

Management Discussion and Analysis

Brewing Materials Business



During the first half of 2017, the domestic beer industry continued the trend for higher value-added products. Demand for high-quality brewing materials increased reflecting the rapid increase in sales volume of mid-to-high-end imported and craft beers.

During the period, sales of malt products reached 357,000 metric tons, keeping scale of the business at a high level. As a leading supplier of brewing materials, the business put to use its core competencies in technology, quality and service. Based on its strategic partnerships with key domestic customers, the Company worked to enhance customer loyalty in order to ensure profit stability and scale of operations. At the same time, it explored demand in emerging markets, increased the share of mid-to-high end products, and expanded export sales, seeking new growth drivers which reflected the market trend towards higher value-added products. The Company's performance outperformed industry peers, and its lean management practices helped to achieve operating profit of HK\$179.7 million.



Outlook

Looking ahead, the Chinese economy will keep seeking progress while maintaining stability to ensure stable and healthy development. As the domestic consumption is becoming more important as major growth driver, agricultural products will continue to see more demands for high-end products featuring nutrition, health, flavour and functional differentiation. Price sensitivity will play a less important role in consumer decisions, signalling new growth opportunities for added value and profitability.

China Agri has established leading domestic processing capacity for agricultural products. This puts it in a strong position to capture the trend towards value-added consumption. In the second half of the year, the Company plans to accelerate the acquisition and consolidation of the packaged edible oil business from COFCO Fortune Foods Sales and Distribution Co., Ltd. to inject long-term vitality for performance. Upon the completion, the acquisition will open up the oil processing industry chain and improve

operational efficiency. Its national sales network will help to further develop existing branded business.

In terms of business operation, the second half is likely to see a sufficient supply of raw material globally to ease cost pressure. However, challenges will remain in price fluctuations in the oilseeds market and the income declines due to the expiration of government grants for corn processing business in the first half of the year. With the arrival of the traditional peak season, market demand is expected to increase on a quarter-on-quarter basis, supporting product profitability. China Agri will continue to execute strategies aimed at operational stability and give priority to risk management, and further promote professional operation to stimulate business vitality. Through emphasising on detail-oriented management, the Company will try to tap potential of cost savings and efficiency improvement, striving to maintain industry leading performance.

Management Discussion and Analysis

Financial Review

Overview of Financial Results for the Six Months Ended 30 June 2017

Revenue

	For the six months ended 30 June	
	2017 HK\$ million	2016 HK\$ million
Business units:		
Oilseeds processing	24,612.7	21,880.1
Biochemical and biofuel	5,590.4	5,620.3
Rice processing and trading	6,283.1	4,523.9
Wheat processing	4,140.2	4,047.4
Brewing materials	1,231.9	1,650.9
Corporate and others	2,572.8	3,041.8
	44,431.1	40,764.4

For the six months ended 30 June 2017, the sales volume of the Group's major products, in particular rice, flour, oils and sweeteners, grew year-on-year through the continuous efforts of market expansion and sales channel collaboration. While the Group benefited from the rally in selling prices of vegetable oils, soybean meal and fuel ethanol, total revenue increased 9.0% to HK\$44,431.1 million from the same period last year.

Gross Profit and Gross Profit Margin

During the period, the Group seized the opportunity of improved operating environment of agricultural processing business to actively expand the business scale and gross profit. All business units maintained a good momentum in operation. As a result, the overall gross profit soared 106.3% to HK\$3,635.7 million from a year-earlier period and the gross profit margin rose 3.9 percentage points to 8.2%.

Other Income and Gains

For the six months ended 30 June 2017, the Group recorded other income and gains of HK\$1,090.8 million, up 61.2% year-on-year. This was mainly attributable to biochemical and biofuel business unit which leveraged its advantage of geographical layout to actively expand the procurement of new crops, thus receiving government grants for corn processing business.

Selling and Distribution Expenses

During the period, selling and distribution expenses were HK\$1,689.1 million (six months ended 30 June 2016: HK\$1,454.0 million) which accounted for 3.8% (six months ended 30 June 2016: 3.6%) of the Group's total revenue. The increased expenses were mainly due to the rise in logistic costs on the growth in sales volume of products and the surge in promotion expenses arising from further expansion of small-packaged branding business.

Administrative Expenses

For the six months ended 30 June 2017, administrative expenses were HK\$1,120.6 million (six months ended 30 June 2016: HK\$925.4 million). The rise in administrative expenses was partially due to the increase in employee compensation expenses. Another reason was the increase in research and development costs for new products and new technology as the Group extends the value chain to downstream business.

Finance Costs

During the period, the average size of loans increased year-on-year due to the expansion of operating business scale. However, total finance costs declined from a year earlier as the Company continued to optimise the structure of loans and raise the efficiency of the usage of funds through detail-oriented management. For the six months ended 30 June 2017, finance costs were HK\$330.0 million, dropped 9.4% from the same period last year. An analysis of the finance costs by category is as follows:

	For the six months ended 30 June	
	2017 HK\$ million	2016 HK\$ million
Interest on:		
Bank loans	271.0	296.4
Loans from fellow subsidiaries	16.9	18.5
Loans from the ultimate holding company	42.9	50.4
Total interest expenses on financial liabilities not at fair value through profit or loss	330.8	365.3
Less: Interest capitalised	(0.8)	(1.1)
	330.0	364.2

Share of Profits and Losses of Associates

Benefitting from the advantages of cost saving and improved operation climate in the industry for the associated companies of biochemical and biofuel business unit, the Company recorded a growth of 62.2% in share of profits of associates to HK\$119.0 million during the period.

Profit or Loss Attributable to Owners of the Company

For the six months ended 30 June 2017, all business units improved their operating results which led to a profit attributable to owners of the Company of HK\$1,059.0 million, a turnaround from a loss of HK\$223.3 million in the first half of 2016.

Interim Dividend

The Board has declared the payment of an interim dividend of 4.0 HK cents (six months ended 30 June 2016: Nil) per share for the six months ended 30 June 2017. This interim dividend will be payable on or around 31 October 2017 to shareholders whose names appear on the register of members of the Company on 19 September 2017.

Management Discussion and Analysis

Significant Investments Held and Material Acquisitions and Disposals of Subsidiaries

On 25 May 2017, COFCO Fortune Holdings Limited (the "Purchaser"), the Company's wholly-owned subsidiary, entered into an equity transfer agreement (the "Agreement") with COFCO Food Sales & Distribution Co., Ltd. (the "Vendor"), a wholly-owned subsidiary of China Foods Limited, for the acquisition of the entire equity interests of COFCO Fortune Foods Sales & Distribution Co., Ltd. (the "Target Company") by the Purchaser from the Vendor. The consideration for the acquisition was RMB1,050 million, payable in cash. The Target Company is primarily engaged in the sales, distribution and marketing of consumer-pack edible oil and other kitchen food products (including consumer-pack sugar, soy sauce, vinegar, monosodium glutamate (MSG), seasoning and grains). The Target Company mainly markets its products under the "Fortune" (福临门) brand (under a license from COFCO Corporation). Upon the completion of the acquisition, the Target Company will become a wholly-owned subsidiary of the Company. The Agreement and the transactions contemplated thereunder were approved by the Company's independent shareholders on 7 July 2017. The above transaction will be completed upon the fulfillment of relevant conditions by the Purchaser and the Vendor. Please refer to the Company's circular dated 20 June 2017 for details.

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

Working Capital and Financial Policy

The Group 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 period, the Group's operations were financed primarily by the accumulated surplus and bank borrowings.

The Group adheres to a prudent and stable financial policy and commits to developing new external funding channels, strengthening fund-raising capability and ensuring liquidity of funding. Internally, the Group aims to raise turnover rate and generate more operating cash flows by reducing the liquid funding on inventories and trade receivables as well as pursuing a centralised cash management on surplus funding. Besides, the Company has adjusted the debt structure and actively used hedging tools to avert foreign exchange risk exposure on the foreign debts.

The Group entered into the financial services agreement with COFCO Finance Co., Ltd. through COFCO Agri-Industries Management Co., Ltd. (a subsidiary of the Company) for the purpose of achieving more efficient deployment and application of funds within the Group so as to reduce the average borrowing costs and better facilitate intra-Group settlement services. During the period, the Group enhanced the liquidity of funds, reduced finance costs and effectively monitored the use of funds through this treasury platform.

Cash and Bank Deposits

The cash and bank deposits (including restricted cash at bank) of the Group were HK\$5,130.5 million as at 30 June 2017 (31 December 2016: HK\$7,658.6 million). During the period, the Group recorded net cash outflows from operations of approximately HK\$1,511.5 million (year ended 31 December 2016: net cash inflows of HK\$1,584.5 million). These liquid funds were mainly denominated in Hong Kong dollars, Renminbi and United States dollars.

Bank Loans and Other Borrowings

The total interest-bearing bank loans and other borrowings amounted to HK\$23,270.7 million (31 December 2016: HK\$23,190.2 million) as at 30 June 2017. The borrowings were mainly used for the daily operation and business expansion of the Group. These loans are repayable within the following periods:

	30 June 2017 HK\$ million	31 December 2016 HK\$ million
Within one year or on demand	23,073.4	21,593.8
In the second year	11.4	1,412.0
In the third to fifth years, inclusive	70.7	100.6
Beyond five years	115.2	83.8
	23,270.7	23,190.2

The interest-bearing bank loans carried annual interest rates ranging between 1.43% and 7.20% (31 December 2016: between 0.83% and 8.30%). Other borrowings carried annual interest rates ranging between 1.08% and 4.35% (31 December 2016: between 1.08% and 3.92%). These interest-bearing bank loans and other borrowings were mainly denominated in Hong Kong dollars, Renminbi and United States dollars.

As at 30 June 2017, the Group has pledged assets, including property, plant and equipment and land use rights, with an aggregate carrying value of HK\$336.9 million (31 December 2016: HK\$345.1 million) to secure bank loans and banking facilities of the Group.

The Group had no unutilised committed banking facilities as at 30 June 2017 (31 December 2016: Nil). The Group will continue to obtain financing on an unsecured basis whenever possible and supplement such borrowings with secured financing.

Management Discussion and Analysis

Financial Ratios

The Group's financial ratios at 30 June 2017 and 31 December 2016 are set out below:

	30 June 2017	31 December 2016
Net gearing ratio (the ratio of net debts to equity attributable to owners of the Company)	65.3%	59.2%
Liquidity ratio (the ratio of current assets to current liabilities)	1.10	1.11
Quick ratio (the ratio of current assets less inventories to current liabilities)	0.58	0.65

Net debt represents the Group's total interest-bearing bank loans and other borrowings less cash and cash equivalents and restricted cash at bank. Therefore, net debt of the Group was HK\$18,140.2 million at 30 June 2017 (31 December 2016: HK\$15,531.6 million).

Capital Expenditures

The total capital expenditures of the Group for the period ended 30 June 2017 are tabulated below:

	For the six months ended 30 June	
	2017 HK\$ million	2016 HK\$ million
Business units:		
Oilseeds processing	231.3	289.9
Biochemical and biofuel	149.1	123.2
Rice processing and trading	82.5	37.4
Wheat processing	23.4	31.6
Brewing materials	61.8	9.9
Corporate and others	13.8	13.8
	561.9	505.8

Capital Commitments

Capital commitments contracted but not provided for in the Group's condensed consolidated interim financial information as at 30 June 2017 are set out below. These commitments are to be financed by loans and working capital of the Group.

	30 June 2017 HK\$ million	31 December 2016 HK\$ million
Contracted, but not provided for:		
Property, plant and equipment	975.5	598.8

Human Resources

The Group employed 27,393 (31 December 2016: 27,413) staff as at 30 June 2017. The Group's employees are remunerated based on job nature, individual performance and market trends with built-in merit components. Total remuneration (including directors' and chief executive's remuneration) for the period ended 30 June 2017 amounted to approximately HK\$1,288.5 million (six months ended 30 June 2016: HK\$1,119.1 million). Employees in Hong Kong receive retirement benefits, mostly in form of a Mandatory Provident Fund entitlement, and a similar benefit scheme is offered to employees in Mainland China. Of the total remuneration, pension scheme contributions amounted to approximately HK\$124.0 million (six months ended 30 June 2016: HK\$114.8 million) for the period.

The Company 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. The share option scheme of the Company expired on 21 March 2017. As at 30 June 2017, there were 170,083,400 outstanding share options granted, which are exercisable in accordance with the terms of the expired share option scheme.

Besides, the Group also encourages employee participation in continuing training programmes, seminars and e-learning courses, through which will enhance their career development and technical skills for tapping individual potentials.

Corporate Governance and Other Information

Share Option Scheme

Details of the movements in the share options during the reporting period are set out below:

1. 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 30 June 2017
					At 1 January 2017	Exercised	Lapsed	
(A) Directors								
YU Xubo	31-3-2011	8.22	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
DONG Wei	31-3-2011	8.22	31-3-2013	31-3-2013 to 30-3-2018	61,400	-	-	61,400
			31-3-2014	31-3-2014 to 30-3-2018	61,400	-	-	61,400
			31-3-2015	31-3-2015 to 30-3-2018	61,400	-	-	61,400
			31-3-2016	31-3-2016 to 30-3-2018	61,400	-	-	61,400
			31-3-2017	31-3-2017 to 30-3-2018	61,400	-	-	61,400
					307,000	-	-	307,000
YANG Hong	31-3-2011	8.22	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
SHI Bo	31-3-2011	8.22	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	8.22	31-3-2013	31-3-2013 to 30-3-2018	8,004,400	-	169,600	7,834,800
			31-3-2014	31-3-2014 to 30-3-2018	8,004,400	-	169,600	7,834,800
			31-3-2015	31-3-2015 to 30-3-2018	8,004,400	-	169,600	7,834,800
			31-3-2016	31-3-2016 to 30-3-2018	8,004,400	-	169,600	7,834,800
			31-3-2017	31-3-2017 to 30-3-2018	7,887,800	-	53,000	7,834,800
					39,905,400	-	731,400	39,174,000
(C) Others								
(Former Non-executive Director) (Note 1)	31-3-2011	8.22	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	-	116,600	466,400
Total					42,491,400	-	848,000	41,643,400

2. Share options granted on 4 December 2015

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 30 June 2017
					At 1 January 2017	Exercised	Lapsed	
(A) Directors								
DONG Wei	4-12-2015	2.85	4-12-2017	4-12-2017 to 3-12-2020	293,700	-	-	293,700
			4-12-2018	4-12-2018 to 3-12-2020	293,700	-	-	293,700
			4-12-2019	4-12-2019 to 3-12-2020	302,600	-	-	302,600
					890,000	-	-	890,000
YANG Hong	4-12-2015	2.85	4-12-2017	4-12-2017 to 3-12-2020	379,500	-	-	379,500
			4-12-2018	4-12-2018 to 3-12-2020	379,500	-	-	379,500
			4-12-2019	4-12-2019 to 3-12-2020	391,000	-	-	391,000
					1,150,000	-	-	1,150,000
SHI Bo	4-12-2015	2.85	4-12-2017	4-12-2017 to 3-12-2020	379,500	-	-	379,500
			4-12-2018	4-12-2018 to 3-12-2020	379,500	-	-	379,500
			4-12-2019	4-12-2019 to 3-12-2020	391,000	-	-	391,000
					1,150,000	-	-	1,150,000
(B) Employees								
	4-12-2015	2.85	4-12-2017	4-12-2017 to 3-12-2020	42,438,000	-	1,105,500	41,332,500
			4-12-2018	4-12-2018 to 3-12-2020	42,438,000	-	1,105,500	41,332,500
			4-12-2019	4-12-2019 to 3-12-2020	43,724,000	-	1,139,000	42,585,000
					128,600,000	-	3,350,000	125,250,000
Total					131,790,000	-	3,350,000	128,440,000

Notes:

1. *These outstanding share options expired on 6 July 2017.*
2. *The share option scheme of the Company was conditionally adopted on 12 January 2007 and became effective upon listing of the Company's shares on 21 March 2007. The scheme has a life of 10 years but the share options granted prior to the expiry of the scheme shall continue to be valid and exercisable in accordance with provisions of the scheme.*

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

Corporate Governance and Other Information

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

As at 30 June 2017, 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")), as 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 of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") (together, "Discloseable Interests"), were as follows:

Interests in the Shares and Underlying Shares of the Company

Name	Capacity	Number of shares held in long position	Number of underlying shares held in long position ^(Note 1)	Percentage ^(Note 2)
YU Xubo	Beneficial owner and interest of spouse ^(Note 3)	235,364	636,000	0.02%
DONG Wei	Beneficial owner	–	1,197,000	0.02%
YANG Hong	Beneficial owner	136,500	1,680,000	0.03%
SHI Bo	Beneficial owner	48,000	1,680,000	0.03%
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 30 June 2017, being 5,249,880,788 shares.
3. 235,364 shares were owned by the spouse of the director concerned.

Interests in Shares of Associated Corporation

Name	Name of associated corporation	Capacity	Number of shares held in long position	Percentage ^(Note 1)
YANG Hong	Joy City Property Limited	Beneficial owner	10,000	0.00%

Note:

1. The percentage of interests is calculated based on the total number of ordinary shares of Joy City Property Limited in issue as at 30 June 2017, being 14,231,124,858 shares.

Save as disclosed above, as at 30 June 2017, none of the directors, chief executive or their respective close associates had any other Discloseable Interests.

Substantial Shareholders' Interests in Shares of the Company

As at 30 June 2017, 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	2,681,315,430	51.07%
COFCO (Hong Kong) Limited	Beneficial owner	364,790,827	6.95%
	Interest of controlled corporations ^(Note 3)	2,681,315,430	51.07%
COFCO Corporation	Interest of controlled corporations ^(Note 4)	3,046,106,257	58.02%

Notes:

1. Long positions in the shares of the Company.
2. The percentage of interests is calculated based on the total number of shares of the Company in issue as at 30 June 2017, being 5,249,880,788 shares.
3. These shares were beneficially owned by Wide Smart Holdings Limited, a company wholly-owned by COFCO (Hong Kong) Limited.
4. These shares were held by Wide Smart Holdings Limited and COFCO (Hong Kong) Limited, a company wholly-owned by COFCO Corporation.

Save as disclosed above, as at 30 June 2017, 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.

Corporate Governance and Other Information

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

During the six months ended 30 June 2017, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the listed securities of the Company.

Model Code

The Company has adopted the Model Code as the principal standards of securities transactions for directors. Upon specific enquiries of all the directors, each of them confirmed that they have complied with the required standards set out in the Model Code during the six months ended 30 June 2017.

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. Relevant employees who are likely to be in possession of inside information related to the Group and its activities must comply with guidelines as exacting as those set out in the Model Code. During the first half of 2017, the Company has not received any non-compliance report from any of such employees.

Corporate Governance

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

During the six months ended 30 June 2017, the Company has complied with all the code provisions and, where appropriate, the applicable recommended best practices set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules.

Directors Re-elected at the Annual General Meeting

At the annual general meeting of the Company held on 2 June 2017, the Company re-elected Mr. Dong Wei, Ms. Yang Hong and Mr. Shi Bo as executive directors, Mr. Li Jian and Mr. Jia Peng as non-executive directors, and Mr. Lam Wai Hon, Ambrose and Mr. Ong Teck Chye as independent non-executive directors. Please refer to Appendix II to the Company's circular dated 26 April 2017 for their biographies and other information.

Disclosure of Directors' Information Pursuant to Rule 13.51B(1) of the Listing Rules

Changes in the biographical details of the directors since the publication of the 2016 annual report in April 2017 are set out below:

1. Mr. Li Jian, a non-executive director of the Company, ceased to be a non-executive director of CPMC Holdings Limited (a Hong Kong-listed company) with effect from 15 August 2017. Effective immediately after the conclusion of the Board meeting held on 30 August 2017, Mr. Li Jian resigned from the Board and ceased to be a member of the Remuneration Committee of the Company.
2. Mr. Jia Peng, a non-executive director of the Company, was appointed as a non-executive director of COFCO Property (Group) Co., Ltd. (a company listed on Shenzhen Stock Exchange) on 5 May 2017.

Review of Interim Results

The unaudited condensed consolidated interim financial information of the Company for the six months ended 30 June 2017 has been reviewed by the Audit Committee of the Company and our external auditor, Ernst & Young.

Interim Dividend

The Company has declared an interim dividend for the six months ended 30 June 2017 of 4.0 HK cents (six months ended 30 June 2016: Nil) per share, payable on or around 31 October 2017 to shareholders whose names appear on the register of members of the Company on 19 September 2017. As disclosed in the Company's announcement made on 9 June 2013, the Company received the approvals of State Administration of Taxation of the People's Republic of China which confirmed that (i) the Company is regarded as a Chinese Resident Enterprise, and (ii) relevant enterprise income tax policies shall be applicable to the Company starting from 1 January 2013. Thus, the Company will withhold 10% enterprise income tax when the aforesaid interim dividend is distributed to non-resident enterprise shareholders.

Closure of Register of Members

The register of members of the Company will be closed on 18 September 2017 and 19 September 2017, during which period no transfers of shares will be registered. In order to be qualified for entitlement to the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the share registrar of the Company by 4:30 p.m. on 15 September 2017.

Corporate Governance and Other Information

Investor Relations

Investor relations has always been an important pillar of China Agri's corporate governance. It provides two-way communication between management and the capital market, and continually updates investors on the Company's latest business developments in a timely manner. The investor relations team also regularly provides management with market feedback and opinions from the investment community to improve the governance and operations of the Company.

The Company has maintained high quality of information disclosure and investors communication since 2017. 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 analyst presentations and investors luncheon following the release of its results, the Company's management provided detail and colour on financial performance and business strategies. The Company's annual 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 high quality communication with shareholders ensured the transparency of our corporation governance, building good interactive relationship with investment community. On 7 July 2017, the Company was granted approval by independent shareholders at the extraordinary general meeting to acquire the sales and distribution business of branded oil products. As a new stream of income, the proposed acquisition will further expand our business portfolio into downstream branded sector and support the sustainable development of the Company.

The Company reviewed its shareholder structure regularly, monitoring changes in the shareholder base. As of 30 June 2017, China Agri's independent shareholders from all over the world accounted for about 42% of total issued shares. As a constituent of Hang Seng Composite LargeCap & MidCap Index, China Agri was honoured to be selected as one of the eligible stocks for both of "Shanghai/Shenzhen-HK Stock Connection" in the first batch. The steady growing interests and shareholding from mainland further expand the range of our potential investors, helping maintain the diversity and balance of shareholding base.

Moreover, China Agri is a constituent of several key benchmark indexes, including the Hang Seng Composite Index, the Hang Seng Global Composite Index, the Hang Seng Composite Industry Indexes, the Hang Seng Composite Size Indexes, the Hang Seng Consumer Goods & Services Index, the Hang Seng Corporate Sustainability Benchmark Index and the MSCI Emerging Markets Small Cap Index.

The Company's business is covered by several investment banks and financial institutions. For a complete list of analysts, please visit the Company's website at www.chinaagri.com.



**Unaudited
Condensed
Consolidated
Interim Financial
Information**

Independent Review Report



To the members of China Agri-Industries Holdings Limited

(Incorporated in Hong Kong with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 26 to 57 which comprises the condensed consolidated statement of financial position of China Agri-Industries Holdings Limited (the "Company") and its subsidiaries as at 30 June 2017 and the related condensed consolidated statement of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 *Interim Financial Reporting* ("HKAS 34").

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

Scope of Review

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

Conclusion

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

Ernst & Young

Certified Public Accountants

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

30 August 2017

Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2017

	Notes	For the six months ended 30 June	
		2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
REVENUE	4	44,431,080	40,764,390
Cost of sales	6	(40,795,373)	(39,001,908)
Gross profit		3,635,707	1,762,482
Other income and gains	4	1,090,767	676,833
Selling and distribution expenses		(1,689,076)	(1,454,010)
Administrative expenses		(1,120,614)	(925,351)
Other expenses		(171,983)	(58,020)
Finance costs	5	(329,956)	(364,239)
Share of profits and losses of associates		119,035	73,379
PROFIT/(LOSS) BEFORE TAX	6	1,533,880	(288,926)
Income tax expense	7	(326,721)	(3,469)
PROFIT/(LOSS) FOR THE PERIOD		1,207,159	(292,395)
Attributable to:			
Owners of the Company		1,059,020	(223,289)
Non-controlling interests		148,139	(69,106)
		1,207,159	(292,395)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	9		
Basic		20.17 HK cents	(4.25) HK cents
Diluted		20.12 HK cents	(4.25) HK cents

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2017

	For the six months ended 30 June	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
PROFIT/(LOSS) FOR THE PERIOD	1,207,159	(292,395)
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Exchange difference on translation of foreign operations	862,571	(554,168)
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods	862,571	(554,168)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	2,069,730	(846,563)
Attributable to:		
Owners of the Company	1,793,925	(693,708)
Non-controlling interests	275,805	(152,855)
	2,069,730	(846,563)

Condensed Consolidated Statement of Financial Position

30 June 2017

	Notes	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	22,261,278	21,790,257
Prepaid land premiums		2,519,051	2,494,003
Deposits for purchases of items of property, plant and equipment		66,918	50,375
Goodwill		1,074,699	1,073,220
Investments in associates		2,500,139	2,436,737
Available-for-sale investments		28,103	25,622
Intangible assets		55,404	57,254
Deferred tax assets		608,633	648,984
Total non-current assets		29,114,225	28,576,452
CURRENT ASSETS			
Inventories		21,857,079	17,886,990
Accounts and bills receivables	11	3,103,858	2,902,576
Prepayments, deposits and other receivables		5,333,575	4,390,597
Other receivables due from Sinograin	12	7,669,408	7,472,001
Derivative financial instruments		22,638	266,476
Due from fellow subsidiaries	16	2,432,670	2,457,992
Due from related companies	16	153,489	21,547
Due from the ultimate holding company	16	435,748	82,746
Due from non-controlling shareholders of subsidiaries	16	24,064	36,193
Due from associates	16	235,120	338,513
Tax recoverable		32,380	35,271
Restricted cash at bank		3,287	72,665
Cash and cash equivalents		5,127,184	7,585,981
Total current assets		46,430,500	43,549,548

Condensed Consolidated Statement of Financial Position

30 June 2017

	Notes	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)
CURRENT LIABILITIES			
Accounts and bills payables	13	2,799,422	3,307,508
Other payables and accruals		5,430,795	5,013,664
Derivative financial instruments		312,297	149,178
Interest-bearing bank and other borrowings		23,073,364	21,593,809
Bank borrowings due to ADBC	12	7,692,388	7,452,314
Due to fellow subsidiaries	16	1,941,658	1,114,654
Due to the ultimate holding company	16	496,592	286,156
Due to the immediate holding company	16	144,791	–
Due to the intermediate holding company	16	19,699	–
Due to related companies	16	23,973	12,266
Due to non-controlling shareholders of subsidiaries	16	54,507	51,391
Due to associates	16	1,135	36,085
Tax payable		168,987	117,824
Deferred income		54,211	57,505
Total current liabilities		42,213,819	39,192,354
NET CURRENT ASSETS		4,216,681	4,357,194
TOTAL ASSETS LESS CURRENT LIABILITIES		33,330,906	32,933,646
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		197,370	1,596,416
Due to non-controlling shareholders of subsidiaries	16	199,563	197,171
Deferred income		744,038	719,877
Deferred tax liabilities		48,884	83,998
Other non-current liabilities		23,336	23,865
Total non-current liabilities		1,213,191	2,621,327
Net assets		32,117,715	30,312,319
EQUITY			
Equity attributable to owners of the Company			
Share capital	14	9,771,664	9,771,664
Other reserves		18,007,272	16,477,681
		27,778,936	26,249,345
Non-controlling interests		4,338,779	4,062,974
Total equity		32,117,715	30,312,319

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2017

	Attributable to owners of the Company									
	Notes	Share capital	Capital reserve	Employee share-based compensation reserve	Reserve funds	Exchange fluctuation reserve	Retained profits	Total	Non-controlling interests	Total equity
		HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)
At 1 January 2017		9,771,664	4,894,122*	209,551*	1,369,692*	353,886*	9,650,430*	26,249,345	4,062,974	30,312,319
Total comprehensive income for the period		-	-	-	-	734,905	1,059,020	1,793,925	275,805	2,069,730
Transfer from retained profits		-	-	-	8,895	-	(8,895)	-	-	-
Final 2016 dividend declared		-	-	-	-	-	(283,494)	(283,494)	-	(283,494)
Equity-settled share option arrangements	15	-	-	19,160	-	-	-	19,160	-	19,160
At 30 June 2017		9,771,664	4,894,122*	228,711*	1,378,587*	1,088,791*	10,417,061*	27,778,936	4,338,779	32,117,715

	Attributable to owners of the Company									
	Notes	Share capital	Capital reserve	Employee share-based compensation reserve	Reserve funds	Exchange fluctuation reserve	Retained profits	Total	Non-controlling interests	Total equity
		HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)
At 1 January 2016		9,771,664	4,894,041	165,804	1,296,312	1,892,157	8,304,665	26,324,643	4,228,593	30,553,236
Total comprehensive loss for the period		-	-	-	-	(470,419)	(223,289)	(693,708)	(152,855)	(846,563)
Transfer from retained profits		-	-	-	13,553	-	(13,553)	-	-	-
Acquisition of non-controlling interests		-	96	-	-	-	-	96	(96)	-
Equity-settled share option arrangements	15	-	-	21,609	-	-	-	21,609	-	21,609
At 30 June 2016		9,771,664	4,894,137	187,413	1,309,865	1,421,738	8,067,823	25,652,640	4,075,642	29,728,282

* These reserve accounts comprise the consolidated other reserves of HK\$18,007,272,000 (31 December 2016: HK\$16,477,681,000) in the condensed consolidated statement of financial position.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2017

	Notes	For the six months ended 30 June	
		2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(Loss) before tax		1,533,880	(288,926)
Adjustments for:			
Finance costs	5	329,956	364,239
Write-down of inventories to net realisable value	6	589,849	51,906
Provision for loss on non-cancellable purchase commitments	6	108,731	9,244
Loss on disposal of items of property, plant and equipment	6	4,209	2,913
Depreciation and amortisation	6	735,594	774,849
Recognition of prepaid land premiums	6	32,828	34,001
Share of profits and losses of associates		(119,035)	(73,379)
Interest income	4	(56,739)	(54,545)
Unrealised loss on derivative financial instruments		285,601	151,505
Government grants	4	(629,302)	(330,744)
Equity-settled share option expense	15	19,160	21,609
Others		(11,203)	41,217
		2,823,529	703,889
Increase in inventories		(3,960,295)	(2,151,466)
Increase in accounts and bills receivables		(110,902)	(67,335)
Increase in prepayments, deposits and other receivables		(845,938)	(2,690,547)
Decrease/(increase) in amounts due from fellow subsidiaries		98,953	(1,493,108)
Decrease/(increase) in amounts due from associates		29,220	(45,358)
Increase in amounts due from related companies		(129,300)	(13,978)
Decrease/(increase) in derivative financial instruments		120,557	(16,143)
Increase/(decrease) in accounts and bills payables		(149,514)	963,020
Increase/(decrease) in other payables and accruals		(189,515)	563,900
Increase in amounts due to fellow subsidiaries		823,074	1,899,297
Government grants received		665,693	362,127
Others		(153,249)	(49,690)
Cash used in operations		(977,687)	(2,035,392)

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2017

	For the six months ended 30 June	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Interest received	56,739	54,545
Interest paid	(329,956)	(364,239)
Income tax paid	(260,583)	(14,269)
Net cash flows used in operating activities	(1,511,487)	(2,359,355)
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease in restricted cash at bank	70,523	74,827
Dividends from associates	101,378	27,967
Proceeds from disposal of items of property, plant and equipment and intangible assets	16,320	12,831
Purchases of items of property, plant and equipment	(661,255)	(562,367)
Receipts of government grants	11,852	19,248
Decrease in loans to a fellow subsidiary	82,824	165,194
Others	(1,924)	(5,317)
Net cash flows used in investing activities	(380,282)	(267,617)
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank loans	28,930,024	35,928,271
New other loans	1,841,684	5,445,467
Repayments of bank loans	(26,967,321)	(30,999,187)
Repayments of other loans	(4,064,003)	(5,224,322)
Decrease in cash from discounting bank letter of credit	(444,779)	-
Others	41,745	(110,548)
Net cash flows from/(used in) financing activities	(662,650)	5,039,681
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(2,554,419)	2,412,709
Cash and cash equivalents at beginning of period	7,585,981	5,439,436
Effect of foreign exchange rate changes, net	95,622	(103,630)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	5,127,184	7,748,515

Notes to the Condensed Consolidated Interim Financial Information

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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, COFCO Tower, 262 Gloucester Road, Causeway Bay, Hong Kong.

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

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

The Company is a subsidiary of COFCO (Hong Kong) Limited, 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 AND ACCOUNTING POLICIES

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

The unaudited condensed consolidated interim financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s consolidated financial statements for the year ended 31 December 2016.

The financial information relating to the year ended 31 December 2016 that is included in these unaudited condensed consolidated interim financial information for the six months ended 30 June 2017 as comparative information does not constitute the statutory annual consolidated financial statements of the Company for that year but is derived from those consolidated financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Chapter 622) is as follows:

The Company has delivered the consolidated financial statements for the year ended 31 December 2016 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Chapter 622).

The Company’s auditor has reported on those consolidated financial statements. The auditor’s report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance (Chapter 622).

2.2 ADOPTION OF NEWLY REVISED ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies and basis of preparation adopted in the preparation of the unaudited condensed consolidated interim financial information are the same as those used in the annual financial statements of the Group for the year ended 31 December 2016, except in relation to the following revised Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all HKFRSs, HKASs and Interpretations) that affect the Group and are adopted by the Group for the first time for the current period’s financial information:

Amendments to HKAS 7

Disclosure Initiative

Amendments to HKAS 12

Recognition of Deferred Tax Assets for Unrealised Losses

The adoption of the above revised HKASs has had no significant impact on the Group’s unaudited condensed consolidated interim financial information.

Notes to the Condensed Consolidated Interim Financial Information

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3. OPERATING SEGMENT INFORMATION

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

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

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit/(loss) before tax except that interest income, 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, restricted cash at bank, 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, 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 six months ended 30 June 2017, revenue from continuing operations of approximately HK\$4,535,502,000 was derived from sales by the oilseeds processing segment to a single customer. During the six months ended 30 June 2016, revenue from continuing operations of approximately HK\$4,904,699,000 was derived from sales by the oilseeds processing, rice processing and trading and biochemical and biofuel segments to a single customer.

Geographical information

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

4. REVENUE, OTHER INCOME AND GAINS

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts during the period.

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

	For the six months ended 30 June	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Other income		
Government grants*	629,302	330,744
Storage income from agency purchase (note 12)	134,787	148,346
Logistic service and storage income	60,318	50,292
Interest income	56,739	54,545
Others	28,264	25,196
	909,410	609,123
Gains		
Gains on disposal of raw materials, by-products and scrap items	25,144	13,760
Gain on foreign exchange, net	156,213	–
Realised and unrealised fair value gains on foreign currency forward contracts, net	–	53,950
	181,357	67,710
	1,090,767	676,833

* 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. During the period, subsidies of HK\$587,983,000 (six months ended 30 June 2016: HK\$181,752,000) were granted to certain subsidiaries of the Group based on the quantities of corn purchased and processed in certain provinces in Mainland China within a required duration. 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 industry or to the local development. There are no unfulfilled conditions or contingencies relating to these grants.

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5. FINANCE COSTS

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

	For the six months ended 30 June	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Interest on:		
Bank loans	271,028	296,480
Loans from fellow subsidiaries	16,930	18,485
Loans from the ultimate holding company	42,870	50,408
Total interest expenses on financial liabilities not at fair value through profit or loss	330,828	365,373
Less: Interest capitalised	(872)	(1,134)
	329,956	364,239

6. PROFIT/(LOSS) BEFORE TAX

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

	For the six months ended 30 June	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Cost of inventories sold or services provided	41,458,606	37,667,327
Realised and unrealised fair value losses/(gains) of commodity futures contracts, net	(1,361,813)	1,273,431
Write-down of inventories to net realisable value	589,849	51,906
Provision for loss on non-cancellable purchase commitments*	108,731	9,244
Cost of sales	40,795,373	39,001,908
Depreciation	732,049	771,652
Amortisation of intangible assets	3,545	3,197
Recognition of prepaid land premiums	32,828	34,001
Employee benefit expenses (including directors' and chief executive's remuneration)	1,288,503	1,119,077
Loss on disposal of items of property, plant and equipment (note 10)	4,209	2,913
Loss/(gain) on foreign exchange, net	(156,213)	37,043
Realised and unrealised fair value losses/(gains) on foreign currency forward contracts, net	122,004	(53,950)

* It is the Group's usual practice to enter into purchase commitments with delivery of raw materials at a specified future date. As at 30 June 2017, 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 under it. The expected loss of HK\$108,731,000 (six months ended 30 June 2016: HK\$9,244,000) is estimated with reference to the expected selling prices of the corresponding products, and a provision thereon has been made in the condensed consolidated statement of profit or loss for the six months ended 30 June 2017. The directors of the Company consider that these losses are resulted from the Group's ordinary course of business.

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7. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2016: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates. Pursuant to the approvals issued by the State Administration of Taxation of the PRC in 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.

PRC corporate income tax ("CIT") represents tax charged on the estimated assessable profits arising from the enterprises operating in Mainland China. In general, the PRC subsidiaries of the Group are subject to the PRC corporate income tax rate of 25%. However, certain of the Group's subsidiaries are being approved by the relevant authorities as high-technology enterprise in Mainland China, and the relevant authorities have granted these subsidiaries preferential CIT rate of 15%. Besides, the Group's certain subsidiaries are also granted income tax exemption on the profit generated from processing of certain agricultural products.

	For the six months ended 30 June	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Current – Hong Kong		
Charge for the period	2,213	109
Current – Mainland China		
Charge for the period	291,050	41,816
Under-provision/(over-provision) in prior periods	18,636	(1,332)
Deferred tax	14,822	(37,124)
Total tax charge for the period	326,721	3,469

8. DIVIDEND

On 30 August 2017, the Board declared an interim dividend of 4.0 HK cents (six months ended 30 June 2016: Nil) per ordinary share, amounting to a total of approximately HK\$209,995,000 (six months ended 30 June 2016: Nil).

The amount of the interim dividend per ordinary share for the six months ended 30 June 2017 was calculated based on the number of issued ordinary shares as at 30 June 2017.

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

The calculation of the basic earnings/(loss) per share amounts for the six months ended 30 June 2017 and 2016 are based on the profit/(loss) for the period attributable to ordinary equity holders of the Company, and the weighted average number of 5,249,880,788 ordinary shares (six months ended 30 June 2016: 5,249,880,788 ordinary shares) in issue during the period.

For the six months ended 30 June 2017, the calculation of the diluted earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the Company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

For the six months ended 30 June 2016, no adjustments in respect of share options have been made to the loss and number of shares used in the basic loss per share calculation due to that the outstanding share options have anti-dilutive effect on the basic loss per share amount presented.

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

Earnings/(loss)

	For the six months ended 30 June	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Profit/(loss) attributable to ordinary equity holders of the Company used in the basic and diluted earnings/(loss) per share calculations	1,059,020	(223,289)

Number of shares

	For the six months ended 30 June	
	2017 (Unaudited)	2016 (Unaudited)
Weighted average number of ordinary shares in issue during the period used in the basic and diluted earnings/(loss) per share calculations	5,249,880,788	5,249,880,788
Effect of dilution – weighted average number of ordinary shares:		
Share options	14,677,190	–
	5,264,557,978	5,249,880,788

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10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2017, the Group acquired items of property, plant and equipment with a total cost of HK\$559,955,000 (six months ended 30 June 2016: HK\$500,505,000), not including property, plant and equipment acquired through business combinations.

Items of property, plant and equipment with a net book value of HK\$20,544,000 (six months ended 30 June 2016: HK\$17,552,000) were disposed of by the Group during the six months ended 30 June 2017, resulting in a net loss on disposal of HK\$4,209,000 (six months ended 30 June 2016: HK\$2,913,000).

11. ACCOUNTS AND BILLS RECEIVABLES

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally for 30 to 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 management. In view of the aforementioned and the fact that the Group's accounts receivable relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its accounts and bills receivables balances. Accounts and bills receivables are non-interest-bearing and are normally settled within one to three months, and one to six months, respectively.

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

	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)
Within 3 months	2,972,261	2,810,505
3 to 12 months	111,478	71,553
1 to 2 years	3,016	12,757
Over 2 years	17,103	7,761
	3,103,858	2,902,576

12. AGENCY PURCHASE OF GRAINS

Pursuant to the Fagaidian [2013] No. 229, Guoliangtiao [2013] No. 265, Guoliangtiao [2014] No. 254 and Guoliangtiao [2015] No.169 issued by certain China government authorities (the "Notices"), during the period from 30 November 2013 to 30 April 2014, the period from 30 November 2014 to 30 April 2015 and the period from 1 November 2015 to 30 April 2016 (the "Designated Grain Purchase Periods"), 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 Periods. According to the Notices and Agency Purchase Agreements, (a) the grains purchased 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 China 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 granted to 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 by Sinograin.

As at 30 June 2017, 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 arrangements amounted to HK\$7,669,408,000 (31 December 2016: HK\$7,472,001,000) and HK\$7,692,388,000 (31 December 2016: HK\$7,452,314,000), 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 on a net basis in the condensed consolidated statement of profit or loss. The storage income arising from the aforesaid arrangements attributable to current period was HK\$134,787,000 (six months ended 30 June 2016: HK\$148,346,000) (note 4), which is recorded as other income in the condensed consolidated statement of profit or loss.

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13. ACCOUNTS AND BILLS PAYABLES

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

	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)
Within 3 months	2,370,712	2,747,120
3 to 12 months	411,688	543,676
1 to 2 years	10,504	8,175
Over 2 years	6,518	8,537
	2,799,422	3,307,508

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

14. SHARE CAPITAL

	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)
Issued and fully paid:		
5,249,880,788 (31 December 2016: 5,249,880,788) ordinary shares	9,771,664	9,771,664

15. SHARE OPTION SCHEME

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

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

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

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

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.

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 price and the outstanding number of share options of 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 price of the 2011 Options is HK\$8.220 per share, and the outstanding number of share options of the 2011 Options has been increased by 2,646,000 shares.

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15. SHARE OPTION SCHEME (continued)

On 4 December 2015, a total of 134,500,000 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 "2015 Options"), the new vesting schedule of which was approved by the Company's shareholders in the annual general meeting on 1 June 2016. The 2015 Options have an exercise price of HK\$2.850 per share and an exercise period from 4 December 2017 to 3 December 2020. The closing price of the Company's share of the 2015 Options on 1 June 2016 was HK\$2.560 per share.

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

	2017		2016	
	Weighted average exercise price HK\$ per share	Number of options '000 (Unaudited)	Weighted average exercise price HK\$ per share	Number of options '000 (Unaudited)
At 1 January	8.220	42,491	8.220	43,244
Forfeited during the period	8.220	(848)	8.220	(636)
At 30 June	8.220	41,643	8.220	42,608

The vesting periods, exercise price and exercise periods of the 2011 Options outstanding as at 30 June 2017 and 2016 are as follows:

2017		2016		Exercise price per share* HK\$	Exercise period (dd-mm-yyyy)
Number of options granted* '000		Vesting period (dd-mm-yyyy)			
8,352	8,521	31-3-2011 to 30-3-2013	8.220	31-3-2013 to 30-3-2018	
8,352	8,521	31-3-2011 to 30-3-2014	8.220	31-3-2014 to 30-3-2018	
8,352	8,522	31-3-2011 to 30-3-2015	8.220	31-3-2015 to 30-3-2018	
8,352	8,522	31-3-2011 to 30-3-2016	8.220	31-3-2016 to 30-3-2018	
8,235	8,522	31-3-2011 to 30-3-2017	8.220	31-3-2017 to 30-3-2018	
41,643	42,608				

* 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.

15. SHARE OPTION SCHEME (continued)

The following 2015 Options were outstanding under the Scheme during the period:

	2017		2016	
	Weighted average exercise price HK\$ per share	Number of options '000 (Unaudited)	Weighted average exercise price HK\$ per share	Number of options '000 (Unaudited)
At 1 January	2.850	131,790	2.850	134,500
Forfeited during the period	2.850	(3,350)	2.850	(500)
At 30 June	2.850	128,440	2.850	134,000

The vesting periods, exercise price and exercise periods of the 2015 Options outstanding as at 30 June 2017 and 2016 are as follows:

2017	2016	Vesting period (dd-mm-yyyy)	Exercise price per share* HK\$	Exercise period (dd-mm-yyyy)
Number of options granted* '000	'000			
42,385	44,220	4-12-2015 to 3-12-2017	2.850	4-12-2017 to 3-12-2020
42,385	44,220	4-12-2015 to 3-12-2018	2.850	4-12-2018 to 3-12-2020
43,670	45,560	4-12-2015 to 3-12-2019	2.850	4-12-2019 to 3-12-2020
128,440	134,000			

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

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15. SHARE OPTION SCHEME (continued)

The aggregate fair values of the 2011 Options and 2015 Options granted during prior years were amounted to approximately HK\$275,854,000 of which the Group recognised share option expenses of HK\$19,160,000 during the period (six months ended 30 June 2016: HK\$21,609,000).

The fair values of the equity-settled share options were estimated as at the date of grant, 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	2015 Options
Date of grant	31 March 2011	1 June 2016
Dividend yield (%)	1.43	1.49
Expected volatility (%)	47.49	43.09
Historical volatility (%)	47.49	–
Risk-free interest rate (%)	2.369	1.00
Expected life of options (year)	7.0	5.0
Closing share price (HK\$ per share)	8.72	2.56

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 approximately 170,083,000 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 approximately 170,083,000 additional ordinary shares of the Company and additional share capital of approximately HK\$708,359,460 (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 3.2% of the Company's shares in issue as at that date.

16. RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

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

	Notes	For the six months ended 30 June	
		2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Transactions with fellow subsidiaries:			
Sales of goods	(i)	5,239,581	5,322,550
Purchases of goods	(i)	20,646,011	16,816,934
Operating lease rental paid	(i)	6,435	2,895
Interest expense	(ii)	16,930	18,485
Brokerage fee paid	(i)	2,622	3,506
Logistics service and storage expense	(i)	19,307	11,646
Other service expenses	(i)	20,087	2,613
Transactions with the ultimate holding company:			
Operating lease rental paid	(i)	18,747	21,232
Interest expense	(ii)	42,870	50,408
Transactions with associates:			
Sales of goods	(i)	56,328	137,300
Purchases of goods	(i)	24,724	43,518
Interest income	(iii)	5,627	3,819
Other service expenses	(i)	10,248	419
Other service income	(i)	–	13,829
Transactions with related companies [#] :			
Sales of goods	(i)	676,414	342,100
Purchases of goods	(i)	86,995	348,376
Transactions with non-controlling shareholders of subsidiaries:			
Sales of goods	(i)	127,470	170,139
Purchases of goods	(i)	31,064	1,222

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

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16. RELATED PARTY TRANSACTIONS (continued)

(a) Transactions with related parties (continued)

Notes:

- (i) For six months ended 30 June 2016 and 2017, all 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 loans from fellow subsidiaries, which were unsecured and bore interest rates ranged from 1.40% to 4.35% per annum (six months ended 30 June 2016: 0.90% to 4.60% per annum). The interest expenses to the ultimate holding company arose from the loans from COFCO which were unsecured and bore interest rates ranged from 1.08% to 3.92% per annum (six months ended 30 June 2016: 1.08% to 3.80% per annum).
- (iii) For the six months ended 30 June 2017, the interest income from associates arose from loans to an associate, which were unsecured and bore interest at rates ranged from 3.92% to 4.35% per annum (six months ended 30 June 2016: 3.92% to 4.82% per annum).

(b) Outstanding balances with related parties

Except for the following, the balances with related parties 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\$985,114,000 (31 December 2016: HK\$2,598,980,000) bore interest at rates ranged from 3.20% to 4.35% per annum (31 December 2016: 1.40% to 3.92% per annum) and will be repaid within one year. Loans from the ultimate holding company of HK\$3,030,233,000 (31 December 2016: HK\$3,532,660,000) bore interest at rates ranged from 1.08% to 2.69% per annum (31 December 2016: 1.08% to 3.92% per annum), and except for long term loan of HK\$115,218,000 (31 December 2016: HK\$111,793,000) which are payable from July 2018 to 2027, all other loans from ultimate holding company are repayable within one year.
- (2) The loans to associates included in the Group's investments in associates are unsecured, interest-free and the Company does not expect these loans to be repaid within the next 12 months. In the opinion of the directors, these loans are considered as quasi-equity investments in the associates. The loans to an associate of HK\$222,371,000 (31 December 2016: HK\$305,195,000) included in current assets, which are unsecured and bore interest at rates of 4.35% per annum (31 December 2016: 3.92% and 4.35% per annum).
- (3) Amounts due to non-controlling shareholders of subsidiaries of HK\$199,563,000 (31 December 2016: HK\$197,171,000) are financing in nature and not repayable within one year from the end of the reporting period.

(c) Commitments with related parties

During the period ended 30 June 2017, the Group entered into purchase agreements with COFCO Resources S.A. ("COFCO Resources"), a fellow subsidiary of the Group, pursuant to which the Group agreed to purchase malt, soybean and other oilseeds processing materials from COFCO Resources with a total consideration of approximately HK\$2,906,598,000. The Group expects that these transactions will be taken place in the second half of 2017.

During the period ended 30 June 2016, the Group entered into purchase agreements with COFCO Resources, pursuant to which the Group agreed to purchase soybean and other oilseeds processing materials from COFCO Resources with a total consideration of approximately HK\$5,042,025,000. These transactions had been taken place in the second half of 2016.

16. RELATED PARTY TRANSACTIONS (continued)

(c) Commitments with related parties (continued)

The amount of total transactions with related parties for the reporting period is included in note 16 (a) to the condensed consolidated interim financial information. The transactions were carried out with reference to the prevailing market prices or, where no market prices were available, at cost plus a percentage of profit mark-up.

(d) Compensation of key management personnel of the Group

	For the six months ended 30 June	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Short term employee benefits	2,855	5,441
Post-employment benefits	157	266
Equity-settled share option expense	891	1,303
Total compensation paid to key management personnel	3,903	7,010

(e) Transactions with other state-owned enterprises

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

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17. OPERATING LEASE ARRANGEMENTS

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

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

	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)
Within one year	39,512	52,058
In the second to fifth years, inclusive	4,759	4,883
After five years	37,151	37,056
	81,422	93,997

18. CAPITAL COMMITMENTS

In addition to the operating lease commitments detailed in note 17 above, the Group had the following capital commitments at the end of the reporting period:

	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)
Capital commitments in respect of property, plant and equipment:		
Contracted, but not provided for	975,450	598,831

19. OTHER COMMITMENTS

(a) Commitments under commodity futures contracts:

	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)
Sales contracts	5,850,464	5,303,167
Purchases contracts	2,153,553	107,905

(b) Commitments under foreign currency forward contracts:

As at 30 June 2017, the Group has commitments under foreign currency forward contracts of sales with aggregate notional amounts of HK\$4,253,670,000 (31 December 2016: HK\$52,602,000) and contracts of purchase with an aggregate notional amount of HK\$10,505,805,000 (31 December 2016: HK\$14,276,437,000).

20. FAIR VALUE AND FAIR VALUE HIERARCHY

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

	Carrying amounts		Fair values	
	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)
Financial assets				
Derivative financial instruments	22,638	266,476	22,638	266,476
Financial liabilities				
Derivative financial instruments	312,297	149,178	312,297	149,178
Interest-bearing bank and other borrowings	23,270,734	23,190,225	23,219,405	23,168,549
	23,583,031	23,339,403	23,531,702	23,317,727

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20. FAIR VALUE AND FAIR VALUE HIERARCHY (continued)

Management has assessed that the fair values of cash and cash equivalents, restricted cash at bank, trade receivables, trade and bills payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, other receivables due from Sinograin, bank borrowings due to ADBC, 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. 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 process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

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

The fair values of 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 derivative financial liabilities, interest-bearing bank and other borrowings as at 30 June 2017 was assessed to be insignificant.

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

As at 30 June 2017, 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.

20. FAIR VALUE AND FAIR VALUE HIERARCHY (continued)

Fair value hierarchy

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

Assets measured at fair value

	Fair value measurement using			Total HK\$'000 (Unaudited)
	Quoted prices in active markets (Level 1) HK\$'000 (Unaudited)	Significant observable inputs (Level 2) HK\$'000 (Unaudited)	Significant unobservable inputs (Level 3) HK\$'000 (Unaudited)	
<i>As at 30 June 2017</i>				
Derivative financial instruments	22,638	–	–	22,638
<i>As at 31 December 2016</i>				
Derivative financial instruments	266,476	–	–	266,476

Liabilities measured at fair value

	Fair value measurement using			Total HK\$'000 (Unaudited)
	Quoted prices in active markets (Level 1) HK\$'000 (Unaudited)	Significant observable inputs (Level 2) HK\$'000 (Unaudited)	Significant unobservable inputs (Level 3) HK\$'000 (Unaudited)	
<i>As at 30 June 2017</i>				
Derivative financial instruments	312,297	–	–	312,297
<i>As at 31 December 2016</i>				
Derivative financial instruments	149,178	–	–	149,178

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20. FAIR VALUE AND FAIR VALUE HIERARCHY (continued)

Fair value hierarchy (continued)

Liabilities for which fair values are disclosed

	Fair value measurement using			Total
	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	
<i>As at 30 June 2017</i>	(Level 1) HK\$'000 (Unaudited)	(Level 2) HK\$'000 (Unaudited)	(Level 3) HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Interest-bearing bank and other borrowings	–	23,219,405	–	23,219,405
<i>As at 31 December 2016</i>	(Level 1) HK\$'000 (Audited)	(Level 2) HK\$'000 (Audited)	(Level 3) HK\$'000 (Audited)	Total HK\$'000 (Audited)
Interest-bearing bank and other borrowings	–	23,168,549	–	23,168,549

21. APPROVAL OF THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

The unaudited condensed consolidated interim financial information was approved and authorised for issue by the board of directors on 30 August 2017.



CHINA AGRI-INDUSTRIES HOLDINGS LIMITED

中國糧油控股有限公司

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

香港銅鑼灣
告士打道262號
中糧大廈31樓

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

www.chinaagri.com