中國糧油控股有限公司

CHINA AGRI-INDUSTRIES HOLDINGS LIMITED

Stock Code 股份代號：606

INTERIM REPORT
2018中期業績報告

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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 Executive Director

DONG Wei

Executive Directors

WANG Qingrong
(Managing Director)
YANG Hong

Non-executive Directors

JIA Peng
MENG Qingguo

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
MENG Qingguo

Nomination Committee

DONG Wei (Chairman)
LAM Wai Hon, Ambrose
Patrick Vincent VIZZONE
ONG Teck Chye

Executive Committee

WANG Qingrong (Chairman)
DONG Wei
YANG Hong

Qualified Accountant

CHAN Ka Lai, Vanessa

Company Secretary

LOOK Pui Fan

Auditor

Deloitte Touche Tohmatsu
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
Bank of China Limited
DBS Bank Limited
Deutsche Bank
Hang Seng Bank
Industrial and Commercial Bank of China (Asia) Limited
Rabobank International (Hong Kong Branch)
Standard Chartered Bank
The Sumitomo Trust & Banking Company Limited
United Overseas Bank Limited

Investor Relations

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Stock Code

606

Financial Highlights

For the six months ended 30 June 2018

	Unit	For the period ended 30 June 2018	2017 (Restated)	Increase/ (Decrease)
Revenue from continuing operations:	HK$ million	**48,320.2**	39,020.1	24%
– Oilseeds processing	HK$ million	**33,224.2**	24,612.7	35%
– Rice processing and trading	HK$ million	**7,438.3**	6,283.1	18%
– Wheat processing	HK$ million	**5,971.4**	4,140.2	44%
– Brewing materials	HK$ million	**1,289.4**	1,231.9	5%
– Corporate and others	HK$ million	**396.9**	2,752.2	(86%)
Revenue from a discontinued operation:				
– Biochemical and biofuel	HK$ million	**–**	5,411.0	(100%)
Profit before tax from continuing operations	HK$ million	**1,007.0**	731.6	38%
Operating profit from continuing operations (segment results)	HK$ million	**1,109.3**	917.0	21%
Operating profit before depreciation and amortisation from continuing operations	HK$ million	**1,671.8**	1,420.7	18%
Operating margin from continuing operations	%	**2.3**	2.4	N/A
Profit attributable to owners of the Company:	HK$ million	**751.0**	1,059.0	(29%)
– Continuing operations	HK$ million	**751.0**	468.6	60%
– Discontinuing operation	HK$ million	**–**	590.4	(100%)
Earnings per share:				
Basic – for the period	HK cents	**14.30**	20.17	(29%)
Basic – for the period from continuing operations	HK cents	**14.30**	8.93	60%
Diluted – for the period	HK cents	**14.29**	20.12	(29%)
Diluted – for the period from continuing operations	HK cents	**14.29**	8.90	61%
Interim dividend per share	HK cents	**3.6**	4.0	(10%)
Closing price per share at period-end	HK$	**3.00**	3.24	(7%)
Market capitalisation at period-end	HK$ million	**15,775.5**	17,009.6	(7%)
Net gearing ratio at period-end	%	**44.0**	65.3	N/A

Management Discussion and Analysis

Business Review

Since 2018, the global economy growth faced more uncertainties led by more complex and volatile international environment. Developed economies have caused market volatility through their monetary and trade policies. Against this background, China has restructured its economy and upgraded industries while deepening reform and innovation. These policies have introduced new dynamism, supported domestic demand, and enhanced the stability and resilience of economy, promoting the economic development towards high-quality stage. In the agricultural processing industry, reforms on the supply side as well as evolving trends in consumption are providing support for the development of branded and large scale players. The leading processors leveraged their integrated and professional management system to cope with market fluctuation. The industry has maintained relatively satisfactory level of profitability.

China Agri-Industries Holdings Limited ("China Agri" or the "Company") has watched the market closely, deploying its market research capabilities to capture market opportunities. Appropriate business strategies have enabled management to expand its market share and improve operational efficiency where necessary. Sales of major products, such as oilseed meals, vegetable oil, rice and flour saw further growth, maintaining high rate of overall capacity utilisation. To better address the evolution of consumer demand, the Company undertook R&D and innovation to optimise the product structure and mix. With the support of more marketing and promotion activities, the Company boosted the scale and reinforced market position of the branded business. Due to the completion of the disposal of the biochemical and biofuel business on 27 December 2017, the Company's total profit attributable to equity holders for current period declined comparing with HK$1,059.0 million for the same period of 2017. However, continuing operations as a whole reported growth in both of top-line and gross profit with total sales volume of 10.673 million metric tons. It contributed revenue of HK$48,320.2 million, a year-on-year increase of 23.8%, while profit attributable to the Company's equity holders increased 60.3% year-on-year to HK$751.0 million.




Oilseeds Processing Business

In the first half of 2018, international soybean price declined after the rise at the beginning of the period. Price fluctuation was intensified by the trade policy changes of China and the United States, as well as the weather factors in the main producing areas. Domestic soybean imports remained at a high level. Production capacity and utilisation rate of the industry have been stable, providing sufficient supply. The news of possible tariff hike on imported soybean from the United States pushed up the prices of edible oil and meals in China at some times, supporting the relatively satisfactory level of average profit margin for the industry.

As an industry leader, the Company's advanced integrated business model helped promoting the efficient coordination and stable operation. Against the more volatile market, the oilseeds processing business tracked price more closely and made good use of market intelligence to establish raw material inventory with appropriate sourcing pace, laying the foundation for better performance. Meanwhile, the Company made improvements in our multi-tiered management system, which enabled a robust increase of operational efficiency in regional sales and factory production. Leveraging our mature and stable downstream sales network which was considerably augmented by the acquisition of consumer-packaged oil business in 2017, the Company was able to adjust pace of sales to maintain margins. With sales measures like customised service, upgraded product mix and diversified marketing, the oilseeds processing business achieved further growth in sales volume beyond the high level of the same period last year. Capacity utilisation remained high level. As a result, fixed costs per unit were reduced, boosting business performance.

Market consumption of consumer-packaged edible oils has stabilised as blended cooking oil and soybean oil remain the dominant kinds. However, the sales volume of specialty edible oils has grown rapidly, gaining market share. The average selling price of retail edible oil has increased with product upgrade. As a major business growth driver, the Company has enhanced its online and offline multi-channel brand promotion to expose the "Fortune (福临门)" brand on TV, buildings, outdoor and other media. We continued to increase investing in marketing and promotion expenditures of the flagship product "Fortune Nutritious Cooking Oil (福临门营养家食用调和油)", and elevate its brand positioning and product mix. In June 2018, "Fortune Nutritious Cooking Oil (福临门营养家食用调和油)" and "Hometown Flavour Peanut Oil (家香味土榨花生油)" were honoured to be designated for the 18th Meeting of the Council of Heads of State of the Shanghai Cooperation Organisation. This recognition strengthened the image of premium "Fortune (福临门)" brand and reliable products quality. At the same time, a number of measures were undertaken to deepen our presence in sales channels. By reducing the number of stock keeping units (SKUs) and optimising distributers and customer management, the total sales volume of consumer-packaged edible oil products during the period under review increased by 16.7% year-on-year to 570,000 metric tons[1].

1 *China Agri completed the acquisition of relevant business on 14 September 2017. Comparative data for the same period of last year is the quantity of packaged edible oil sold by the business prior to the acquisition.*

During the first half of the year, the oilseeds processing business sold 4.511 million metric tons of oilseed meals and 2.436 million metric tons of vegetable oil, 23.2% and 34.1% increases respectively from high base for the same period of last year. Revenue rose by 35.0% over the last corresponding period to HK$33,224.2 million. Gross profit margin ("GPM") was 7.2%. Operating profit was HK$644.0 million, a 48.9% increase year-on-year.

Rice Processing and Trading Business

In the first half of 2018, domestic paddy prices gradually returned to market levels as the government reduced its minimum purchase price, easing raw material cost pressure. As consumption matured, favouring consumer-packaged products as well as high quality varieties of rice, the product mix were improved. Average sales prices across the industry were higher, leading to greater profitability. The rice processing industry further developed towards large-scale production, integrated operation and brand marketing to better meet the consumers' demands, promoting capacity and market concentration.

During the period under review, the Company kept promoting the development of branded business. By adopting various publicity measures, including promotions at important festivals, rice culture education, CCTV programs advertisement and internet publicity, the rice processing and trading business enhanced brands' visibility and influence. During the holiday of Spring Festival, we held an offline themed promotion named "Taste Fine Rice and Flour, Taste Chinese New Year (舌尖上的好米麵，舌尖上的中國年)" and cooperated with Alipay to build brand loyalty with its wealth collecting game. Many e-commerce platform products were launched and customised in cooperation with famous IP including CCTV program "A Bite of China 3 (舌尖上的中国第三季)", "Imperial Cuisine (御膳房)", "the Emperor's Wish (朕的心意)" and "Journey Frog (旅行青蛙)". For expanding distribution channels, the Company enhanced strategic cooperation with Carrefour and Wal-Mart for on-line business and engaged with new retail customers such as Hema Fresh and Bianlifeng. The market penetrations of consumer-packaged grain products were further deepened by the new cooperation with Petrochina's uSmile, Sinopec's Ejoy and professional catering companies. The branded business has maintained consistent growth with nearly 3,000 community activities and 100 road shows. Sales volume of consumer-packaged rice products increased by 6.5% year-on-year to 381,000 metric tons during the period under review, maintaining the leadership in its category among competing products for nine consecutive years (2009-2017)[2].

[2] *Data source: China General Chamber of Commerce*

Domestic policy adjustment and declining prices of paddy were favourable for the export business. The Company adopted a sales model of "go abroad and bring home (走出去，請進來)". By inviting our customers to visit the place of origin, factories and ports to evaluate product quality on-site, we built customer confidence and expanded our international presence. With the regular quality assurance meetings, innovative logistics and other supply chain management measures, we enhanced the product quality and efficient supply. Such efforts won recognition from overseas customers and resulted in substantial growth in export volume. The business scale growth remained solid as additional sales contributed by exports offset the declines of import business.

During the period under review, both of our branded and export business showed sustainable growth. Total product sales volume increased 20.0% year-on-year to 1.559 million metric tons. Revenue grew by 18.4% year-on-year to HK$7,438.3 million. Capacity utilisation reached a historic high as sales volume increased. GPM was 15.6%. Operating profit was HK$394.9 million, an increase of 42.4% over the same period of last year.

Wheat Processing Business

During the period under review, the market-oriented reform in domestic wheat pricing policy advanced. Wheat market was pressured by abundant supply and declined procurement and auction prices. The sector increasingly recognised the quality wheat through price premium, leading to wider price gap comparing with common feedstock. With the changes in the supply structure of raw materials, the processors conducted two different kinds of strategies to achieve development and promote industry intergration. Some want to achieve economy of scale and low-cost production system by expanding volume. The other strategy is strengthening competitive advantages through regional market cultivation and differentiation. The industry average profitability improved gradually.

In order to support the future development and scale expansion, the wheat processing business improved geographic footprint to secure high-quality raw grain supplies and increase the number of distribution hubs. By establishing professional sales team, market feedback and service efficiency speeded up to provide better service for the special-purpose flour customers. Promotion measures like joint R&D with customers and dedicated service team worked well to enhance loyalty and attract new customers. Sales volume growth of flour products remained healthy.

For promoting consumer-packaged flour products, the wheat processing business participated in exhibitions, sponsored events and hosted product demonstrations to increase brand awareness. For enriching its product lines, the consumer-packaged business differentiated its strategies for packaged flour and packaged noodle products based on their different market environments. Mid – and high-end products with regional characteristics such as "Fortune Xinjiang Wheat Core Flour (福临门新疆麦芯粉)" and "Hetao Plain Flour (河套平原雪花粉)" are the frontrunners in our structural upgrading of flour products. The Company has also launched price competitive product, the "Miaohuijia (妙惠佳)" series of noodle to open new sales channel for sustainable expansion. With customer marketing activities such as "Xinjiang Good Flour (新疆好麵一亞克西)" and "Hetao Flour, Natural Gift (天賜河套一麵中貴族)", we speeded up the development of branded business gradually.

During the period under review, the wheat processing business sold 1.311 million metric tons of flour products, a 18.2% increase over the high level for the same period of last year, and capacity utilisation remained at a high level. Sales volume of noodle products increased by 32.5% year-on-year to 70,000 metric tons. Total revenue was HK$5,971.4 million and GPM was 9.3%. Operating profit increased by 49.8% year-on-year to HK$104.0 million.

Brewing Materials Business

Globally, barley supply was tight due to low old crop inventory in the main production regions. Drought in the new harvest season affected production volume and quality, leading to increased barley prices and raw material costs. Product price remained stable against the backdrop of a flat downstream beer market. Profit margin was squeezed as it hardly offset the additional costs.

In order to ensure sales performance during the period, the brewing materials business executed a number of strategies. It reinforced multi-channel marketing to target key customers and established dedicated team to provide comprehensive services in areas including raw materials, technology and sales. The customers' loyalty was enhanced by differentiate solutions and services. By establishing and promoting the standardised quality management system, the business was able to monitor each key business process such as products customisation, raw materials procurement, production and shipments, enhancing the quality control and competitiveness of product. With the support of mature management system and integrated supply chain, we improved the efficiency to cope with the challenge of high capacity utilisation. In the first half of 2018, the sales volume of malts was 364,000 metric tons with a year-on-year increase of 2.2%. Operating scale remained at a high level and reported revenue of HK$1,289.4 million.

As of the end of 2017, the Company operated three brewing materials plants in Liaoning, Jiangsu and Inner Mongolia with a total annual production capacity of 740,000 metric tons. The Liaoning and Jiangsu plants experienced operational stability due to their strategic coastal location and accessibility of import high-quality barley as raw material. Following the construction and launch of the plant in Inner Mongolia in 2010, its operating environment underwent fundamental changes. The production and quality of local barley continued to decline and was unable to satisfy usual business demand. Although the Company used various strategies including order-based planting, mixing of domestic and imported raw materials and business restructuring, it proved difficult to stop the losses and the negative impact on our overall performance. Moreover, additional investments to the plant is also required for continuing production under the stricter environmental policy. As part of the Group's ongoing policy to maximise divisional operating performance, the management decided to cease operation of the plant in order to prevent future losses. Accordingly, the brewing materials business reported an operating loss of HK$5.7 million in the first half of 2018 after making a provision of HK$128.5 million for impairment loss of the plant.

Outlook

Looking ahead to the second half of the year, China's economy is expected to maintain steady while mitigating risks and making structural adjustments. The evolution of consumption and trend to upgrading demand will continue to provide growth opportunities for the grains, oil and food markets. Supply-side reforms in the agricultural industry and the pricing mechanism reform for grain products create new growth opportunities for industry leaders' further expansion. Such companies can better cope with the business risks caused by the uncertainties of international trade and monetary policies. With the more concentrated market share and enhanced advantages, they will lead the industry to upgrade and develop.

The Company will continue to focus on branded business, relying on an effective supply chain to support the expansion of retail products and profitability. Given the high capacity utilisation level currently experienced, we will explore a reasonable path for future growth and sustainable development.

Management will continue to work diligently to strengthen professional operations and precision management to improve business judgment and responses to business challenges brought by market volatility and industry competition. With a very encouraging results from continuing operations for the first half year, we will endeavor to maintain the satisfactory performance for the whole year.

Financial Review

Overview of Financial Results for the Six Months Ended 30 June 2018

Revenue from Continuing Operations

	For the six months ended 30 June	
	2018 HK$ million	2017 HK$ million (Restated)
Business units of continuing operations:		
Oilseeds processing	**33,224.2**	24,612.7
Rice processing and trading	**7,438.3**	6,283.1
Wheat processing	**5,971.4**	4,140.2
Brewing materials	**1,289.4**	1,231.9
Corporate and others	**396.9**	2,752.2
	48,320.2	39,020.1

For the six months ended 30 June 2018, the supply chains of each business unit operated in a highly efficient manner. Through the continuous effort of market development, sales volume of major products of the Group such as vegetable oil, oilseed meals, rice and flour grew year-on-year which drove the overall capacity utilisation rate to a high level. During the period, total revenue from continuing operations increased 23.8% to HK$48,320.2 million from a year earlier.

Gross Profit and Gross Profit Margin

During the period, the profitability of domestic agricultural processing industry relatively improved. The Group seized the market opportunity to continuously expand the scale and profit margins of core business such as oil, rice and flour. With the steady development of branded business, the relevant business operations maintained a good momentum which helped raising the Company's overall gross profit from continuing operations by 62.5% to HK$4,369.4 million. Gross profit margin up 2.1 percentage points year-on-year to 9.0%.

Selling and Distribution Expenses

During the period, selling and distribution expenses from continuing operations were HK$2,230.0 million (six months ended 30 June 2017: (restated) HK$1,131.5 million). It accounted for 4.6% of the Group's total revenue from continuing operations (six months ended 30 June 2017: (restated) 2.9%). The rise in expenses was mainly attributable to larger advertising and promotion costs as well as logistic expenses after the acquisition of consumer-packaged edible oil business by the Group in September 2017.

Administrative Expenses

For the six months ended 30 June 2018, administrative expenses from continuing operations rose 17.4% year-on-year to HK$961.3 million due to higher employees' compensation expenses for staff incentive as a result of better operation results.

Finance Costs

During the period, finance costs from continuing operations were HK$302.7 million (six months ended 30 June 2017: (restated) HK$285.2 million). Finance costs were slightly increased as compared with the same period last year. An analysis of the finance costs by category is as follows:

	For the six months ended 30 June	
	2018 HK$ million	2017 HK$ million (Restated)
Interest on:		
Bank loans	**274.2**	236.0
Loans from fellow subsidiaries	**29.4**	15.3
Loans from the ultimate holding company	**0.6**	34.5
Total interest expenses on financial liabilities not at fair value through profit or loss	**304.2**	285.8
Less: Interest capitalised	**(1.5)**	(0.6)
	302.7	285.2

Share of Profits and Losses of Associates

Benefited from improving operating environment and business growth of the associated companies of oilseeds processing business, the share of profits of associates surged 187.1% from a year earlier to HK$125.0 million during the period.

Profit Attributable to Owners of the Company

For the six months ended 30 June 2018, sales volume of the Group's major products grew year-on-year to a higher level through the continuous effort of market development. Driven by the active implementation of research and development on innovative products and the optimisation of products mix, the scale of branded business and gross profit of the products further increased. During the period, the profit attributable to owners of the Company were HK$751.0 million, representing a significant increase of 60.3% as compared with the profit from continuing operations from a year earlier period. However, the Group's profit attributable to owners of the Company for the current period declined 29.1% year-on-year due to the classification of biochemical and biofuel business as discontinued operation following the completion of the disposal of such business by the Company on 27 December 2017.

Interim Dividend

The Board has declared the payment of an interim dividend of 3.6 HK cents (six months ended 30 June 2017: 4.0 HK cents) per share for the six months ended 30 June 2018. This interim dividend will be payable on or around 31 October 2018 to shareholders whose names appear on the register of members of the Company on 14 September 2018.

Significant Investments Held and Material Acquisitions and Disposals of Subsidiaries

The Group did not have any 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 reasonably managing 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 managed 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$10,825.9 million as at 30 June 2018 (31 December 2017: HK$10,571.8 million). During the period, the Group recorded net cash outflows from operations of approximately HK$3,616.9 million (year ended 31 December 2017: net cash inflows of HK$695.8 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$23,747.1 million (31 December 2017: HK$19,181.2 million) as at 30 June 2018. 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 2018 HK$ million	31 December 2017 HK$ million
Within one year or on demand	**23,597.7**	19,007.0
In the second to fifth years, inclusive	**90.1**	108.4
Beyond five years	**59.3**	65.8
	23,747.1	19,181.2

The interest-bearing bank loans carried annual interest rates ranging between 1.76% and 4.90% (31 December 2017: between 1.53% and 4.90%). Other borrowings carried annual interest rates ranging between 1.08% and 4.35% (31 December 2017: between 1.08% and 4.35%). These interest-bearing bank loans and other borrowings were mainly denominated in Hong Kong dollars, Renminbi and United States dollars.

As at 30 June 2018, the Group has pledged assets, including property, plant and equipment and land use rights, with an aggregate carrying value of HK$226.2 million (31 December 2017: HK$163.1 million) to secure bank loans and banking facilities of the Group.

The Group had no unutilised committed banking facilities as at 30 June 2018 and 31 December 2017. The Group will continue to obtain financing on an unsecured basis whenever possible and supplement such borrowings with secured financing.

Financial Ratios

The Group's financial ratios at 30 June 2018 and 31 December 2017 are set out below:

	30 June 2018	31 December 2017
Net gearing ratio (the ratio of net debts to equity attributable to owners of the Company)	**44.0%**	28.8%
Liquidity ratio (the ratio of current assets to current liabilities)	**1.30**	1.38
Quick ratio (the ratio of current assets less inventories to current liabilities)	**0.66**	0.67

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$12,921.2 million at 30 June 2018 (31 December 2017: HK$8,609.4 million).

Capital Expenditures

The total capital expenditures of the Group's continuing operations for the period ended 30 June 2018 are tabulated below:

	For the six months ended 30 June	
	2018 HK$ million	2017 HK$ million (Restated)
Business units of continuing operations:		
Oilseeds processing	**207.5**	231.3
Rice processing and trading	**54.0**	82.5
Wheat processing	**73.6**	23.4
Brewing materials	**41.0**	61.8
Corporate and others	**9.3**	16.4
	385.4	415.4

Capital Commitments

Capital commitments contracted but not provided for in the Group's condensed consolidated interim financial statements as at 30 June 2018 are set out below. These commitments are to be financed by loans and working capital of the Group.

	30 June 2018 HK$ million	31 December 2017 HK$ million
Capital commitments in respect of property, plant and equipment:		
Contracted, but not provided for	**768.8**	247.7

Human Resources

The Group employed 17,063 (31 December 2017: 18,307) staff as at 30 June 2018. 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 2018 amounted to approximately HK$1,254.9 million (six months ended 30 June 2017: (restated) HK$973.7 million). Employees in Hong Kong receive retirement benefits, mostly in form of a Mandatory Provident Fund entitlement, and a similar benefit scheme is offered to employees in Mainland China. Of the total remuneration, pension scheme contributions amounted to HK$98.9 million (six months ended 30 June 2017: (restated) HK$81.1 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 2018, there were approximately 98,292,000 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 1 January 2018	Exercised	Lapsed (Note 2)	At 30 June 2018
(A) Directors								
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	–
(B) Employees	31-3-2011	8.22	31-3-2013	31-3-2013 to 30-3-2018	7,940,800	–	7,940,800	–
			31-3-2014	31-3-2014 to 30-3-2018	7,940,800	–	7,940,800	–
			31-3-2015	31-3-2015 to 30-3-2018	7,940,800	–	7,940,800	–
			31-3-2016	31-3-2016 to 30-3-2018	7,940,800	–	7,940,800	–
			31-3-2017	31-3-2017 to 30-3-2018	7,940,800	–	7,940,800	–
					39,704,000	–	39,704,000	–
(C) Others (Former Non-executive Director)	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	–
	Total				41,177,000	–	41,177,000	–

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 1 January 2018	Exercised (Note 3)	Lapsed	At 30 June 2018
(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
(B) Employees	4-12-2015	2.85	4-12-2017	4-12-2017 to 3-12-2020	41,415,000	8,626,600	903,800	31,884,600
			4-12-2018	4-12-2018 to 3-12-2020	32,191,500	–	488,400	31,703,100
			4-12-2019	4-12-2019 to 3-12-2020	33,167,000	–	503,200	32,663,800
					106,773,500	8,626,600	1,895,400	96,251,500
	Total				108,813,500	8,626,600	1,895,400	98,291,500

Notes:

1. *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.*
2. *All outstanding share options granted under the share option scheme on 31 March 2011 lapsed automatically on 31 March 2018 due to expiry of the option period.*
3. *The weighted average closing price of the shares of the Company immediately before the dates on which the options were exercised was HK$3.16.*

Additional information in relation to the share option scheme is set out in Note 16 of the notes to the condensed consolidated financial statements.

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

As at 30 June 2018, 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)
DONG Wei	Beneficial owner	–	890,000	0.02%
YANG Hong	Beneficial owner	136,500	1,150,000	0.02%
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 2018, being 5,258,507,388 shares.*

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 2018, being 14,231,124,858 shares.*

Save as disclosed above, as at 30 June 2018, 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 2018, 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	50.99%
COFCO (Hong Kong) Limited	Beneficial owner	364,790,827	6.94%
	Interest of controlled corporations (Note 3)	2,681,315,430	50.99%
COFCO Corporation	Interest of controlled corporations (Note 4)	3,046,106,257	57.93%

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 2018, being 5,258,507,388 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 2018, so far as was known to the directors, no other persons had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register kept by the Company under section 336 of the SFO.

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

During the six months ended 30 June 2018, 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 2018.

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 2018, 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 2018, 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 1 June 2018, the Company re-elected Mr. Dong Wei and Mr. Wang Qingrong as executive directors, Mr. Jia Peng as non-executive director, and Mr. Patrick Vincent Vizzone as independent non-executive director. Please refer to Appendix II to the Company's circular dated 25 April 2018 for their biographies and other information.

Review of Interim Results

The unaudited condensed consolidated interim financial statements of the Company for the six months ended 30 June 2018 has been reviewed by the Audit Committee of the Company and our external auditor, Deloitte Touche Tohmatsu.

Interim Dividend

The Company has declared an interim dividend for the six months ended 30 June 2018 of 3.6 HK cents (six months ended 30 June 2017: 4.0 HK cents) per share, payable on or around 31 October 2018 to shareholders whose names appear on the register of members of the Company on 14 September 2018. 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 14 September 2018. No transfers of shares will be registered on that date. 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 13 September 2018.

Investor Relations

Investor relations has always been an important pillar of China Agri's corporate governance. As a two-way communication channel between management and the capital market, it continually updates investors on the Company's developments and regularly provides management with market feedback and opinions from the investment community to improve the governance and operations.

The Company maintains the compliant and efficient investor communications in 2018 through organising various investor relations activities. A total of 32 one-on-one discussions, group meetings and conference calls were held to address investors' concerns. The Company also held post-annual-results analyst briefing and investor luncheon to give colour on financial performance and business strategies. The annual general meeting provided opportunities to communicate face-to-face with minority shareholders, reflecting management's commitment to full and fair disclosure to all shareholders. Meanwhile, the active participation in large-scale investor meetings organised by international brokers also help to raise corporate's public awareness and to broaden its potential shareholders base. Major events participated since 2018 are as follows:

19 April 2018, Industrial Securities	–	Spring Meeting for Overseas Investment Strategy 2018
25 April 2018, Daiwa	–	Consumer & Gaming Conference 2018
30 May 2018, Morgan Stanley	–	Fourth Annual China Summit
4 June 2018, UBS	–	Asian Consumer, Gaming and Leisure Conference 2018
11 June 2018, Daiwa	–	2018 Pan Asia Small & Mid-Caps (Hong Kong)

The Company reviews shareholding structure regularly to understand the shareholder base. As of 30 June 2018, China Agri's independent shareholders from all over the world accounted for about 42% of total issued shares. As one of the eligible stocks for "Shanghai/Shenzhen-HK Stock Connect", the Company also enjoyed the steady growing interests and shareholding of mainland investors. Their holding increased to 5.6% of total issued shares as of 30 June 2018, further expanding the diversity and balance of shareholding structure.

The Company also made achievements for capital market recognition. China Agri was selected as a constituent of China Index as announced by MSCI on 14 May 2018. It has been effective since 1 June 2018 and further promoted the corporate's market recognition. On 21 May 2018, the Company was awarded the "Certificate of Excellence" by Hong Kong Investor Relations Association at 4th Investor Relations Awards in recognition of our works done on relevant area. Moreover, China Agri is a constituent of several key benchmark indices, 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 Statements

Report on Review of Condensed Consolidated Financial Statements

Deloitte. 德勤

To the Board of Directors of China Agri-Industries Holdings Limited

Introduction

We have reviewed the condensed consolidated financial statements of China Agri-Industries Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 22 to 65, which comprise the condensed consolidated statement of financial position as of 30 June 2018 and the related condensed consolidated statement of profit or loss, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and certain explanatory notes. The 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") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion 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 these condensed consolidated financial statements 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 an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

29 August 2018

Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2018

	Notes	For the six months ended 30 June	
		2018	2017
		HK$'000	HK$'000
		(Unaudited)	(Unaudited)
			(Restated)
Continuing operations			
Revenue	3	**48,320,171**	39,020,109
Cost of sales		**(43,950,729)**	(36,331,641)
Gross profit		**4,369,442**	2,688,468
Other income and gains	4	**252,614**	362,610
Selling and distribution expenses		**(2,229,971)**	(1,131,477)
Administrative expenses		**(961,305)**	(818,756)
Other expenses		**(246,086)**	(127,647)
Finance costs	5	**(302,699)**	(285,150)
Share of profits and losses of associates		**125,024**	43,544
Profit before tax	6	**1,007,019**	731,592
Income tax expense	7	**(6,731)**	(132,994)
Profit for the period from continuing operations		**1,000,288**	598,598
Discontinued operation			
Profit for the period from a discontinued operation	8	**–**	608,561
Profit for the period		**1,000,288**	1,207,159
Profit for the period attributable to:			
Owners of the Company		**751,020**	1,059,020
Non-controlling interests		**249,268**	148,139
		1,000,288	1,207,159
EARNINGS PER SHARE			
From continuing and discontinued operations	10		
Basic		**14.30 HK cents**	20.17 HK cents
Diluted		**14.29 HK cents**	20.12 HK cents
From continuing operations	10		
Basic		**14.30 HK cents**	8.93 HK cents
Diluted		**14.29 HK cents**	8.90 HK cents

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2018

	For the six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
		(Restated)
Profit for the period	**1,000,288**	1,207,159
Other comprehensive (loss)/income		
Items that may be reclassified subsequently to profit or loss		
Exchange difference on translation of foreign operations	**(223,997)**	862,571
Total comprehensive income for the period	**776,291**	2,069,730
Total comprehensive income for the period attributable to:		
Owners of the Company	**564,098**	1,793,925
Non-controlling interests	**212,193**	275,805
	776,291	2,069,730

Condensed Consolidated Statement of Financial Position

At 30 June 2018

	Notes	30 June 2018 HK$'000 (Unaudited)	31 December 2017 HK$'000 (Audited)
Non-current Assets			
Property, plant and equipment	11	**16,446,897**	16,752,112
Prepaid land premiums		**2,045,289**	2,037,602
Deposits for purchases of items of property, plant and equipment		**46,254**	34,817
Goodwill		**1,387,800**	1,382,735
Investments in associates		**2,199,787**	2,106,847
Equity instruments at fair value through other comprehensive income		**29,168**	–
Available-for-sale investments		**–**	30,536
Intangible assets		**626,596**	640,592
Deferred tax assets		**805,141**	568,236
Total non-current assets		**23,586,932**	23,553,477
Current Assets			
Inventories		**24,084,124**	22,630,782
Accounts and bills receivables	12	**3,270,105**	3,138,320
Prepayments, deposits and other receivables		**5,235,367**	4,555,367
Other receivables due from Sinograin	13	**355,754**	520,425
Financial assets at fair value through profit or loss		**1,147,289**	–
Derivative financial instruments		**–**	376,607
Due from fellow subsidiaries		**3,527,911**	1,681,502
Due from related companies		**32,880**	30,016
Due from the ultimate holding company		**247,235**	41,294
Due from non-controlling shareholders of subsidiaries		**89,170**	5,873
Due from associates	17	**4,256**	215,049
Tax recoverable		**11,318**	16,208
Restricted cash at bank		**8,344**	–
Cash and cash equivalents		**10,817,579**	10,571,797
Total current assets		**48,831,332**	43,783,240

Condensed Consolidated Statement of Financial Position (continued)

At 30 June 2018

	Notes	**30 June 2018 HK$'000 (Unaudited)**	31 December 2017 HK$'000 (Audited)
Current Liabilities			
Accounts and bills payables	14	**4,198,714**	4,149,625
Other payables and accruals		**5,067,810**	6,261,660
Other financial liabilities		**9,157**	–
Derivative financial instruments		**–**	238,381
Contract liabilities		**2,108,450**	–
Interest-bearing bank and other borrowings		**23,597,668**	19,007,057
Bank borrowings due to ADBC	13	**356,560**	522,820
Due to fellow subsidiaries		**915,609**	631,906
Due to the ultimate holding company		**273,175**	280,817
Due to the immediate holding company	17	**560,395**	–
Due to the intermediate holding company		**76,241**	–
Due to related companies		**97,703**	6,612
Due to non-controlling shareholders of subsidiaries		**30,284**	31,014
Due to associates		**10,810**	23,816
Tax payable		**164,091**	552,985
Deferred income		**23,782**	29,951
Total current liabilities		**37,490,449**	31,736,644
Net Current Assets		**11,340,883**	12,046,596
Total Assets less Current Liabilities		**34,927,815**	35,600,073
Non-current Liabilities			
Interest-bearing bank and other borrowings		**149,448**	174,181
Due to non-controlling shareholders of subsidiaries	17	**201,932**	202,644
Deferred income		**638,262**	648,400
Deferred tax liabilities		**314,425**	271,089
Other non-current liabilities		**42,393**	24,965
Total non-current liabilities		**1,346,460**	1,321,279
Net assets		**33,581,355**	34,278,794
Capital and Reserves			
Share capital	15	**9,796,250**	9,771,664
Reserves		**19,548,230**	20,083,548
Equity attributable to owners of the Company		**29,344,480**	29,855,212
Non-controlling interests		**4,236,875**	4,423,582
Total Equity		**33,581,355**	34,278,794

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2018

		Attributable to owners of the Company								
	Notes	Share capital HK$'000 (Unaudited)	Capital reserve HK$'000 (Unaudited)	Employee share-based compensation reserve HK$'000 (Unaudited)	Reserve funds HK$'000 (Unaudited)	Exchange fluctuation reserve HK$'000 (Unaudited)	Retained profits HK$'000 (Unaudited)	Total HK$'000 (Unaudited)	Non-controlling interests HK$'000 (Unaudited)	Total equity HK$'000 (Unaudited)
At 1 January 2018		**9,771,664**	**4,894,122***	**246,407***	**1,519,379***	**1,374,063***	**12,049,577***	**29,855,212**	**4,423,582**	**34,278,794**
Total comprehensive income for the period		**–**	**–**	**–**	**–**	**(186,922)**	**751,020**	**564,098**	**212,193**	**776,291**
Acquisition of non-controlling interests		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**39,451**	**39,451**
Transfer from retained profits		**–**	**–**	**–**	**15,562**	**–**	**(15,562)**	**–**	**–**	**–**
Exercise of share options	15	**24,586**	**–**	**(6,432)**	**–**	**–**	**6,432**	**24,586**	**–**	**24,586**
Transfer upon the expiry of share options	16	**–**	**–**	**(171,541)**	**–**	**–**	**171,541**	**–**	**–**	**–**
Equity-settled share option arrangements	16	**–**	**–**	**(656)**	**–**	**–**	**–**	**(656)**	**–**	**(656)**
Final 2017 dividend declared		**–**	**–**	**–**	**–**	**–**	**(1,098,760)**	**(1,098,760)**	**–**	**(1,098,760)**
Dividends paid to non-controlling shareholders of subsidiaries		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(438,351)**	**(438,351)**
At 30 June 2018		**9,796,250**	**4,894,122***	**67,778***	**1,534,941***	**1,187,141***	**11,864,248***	**29,344,480**	**4,236,875**	**33,581,355**

		Attributable to owners of the Company								
	Notes	Share capital HK$'000 (Unaudited)	Capital reserve HK$'000 (Unaudited)	Employee share-based compensation reserve HK$'000 (Unaudited)	Reserve funds HK$'000 (Unaudited)	Exchange fluctuation reserve HK$'000 (Unaudited)	Retained profits HK$'000 (Unaudited)	Total HK$'000 (Unaudited)	Non-controlling interests HK$'000 (Unaudited)	Total equity 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)	–	–	–
Equity-settled share option arrangements	16	–	–	19,160	–	–	–	19,160	–	19,160
Final 2016 dividend declared		–	–	–	–	–	(283,494)	(283,494)	–	(283,494)
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

* *These reserve accounts comprise the consolidated reserves of HK$19,548,230,000 (31 December 2017: HK$20,083,548,000) in the condensed consolidated statement of financial position.*

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2018

	For the six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
OPERATING ACTIVITIES		
Profit before tax	**1,007,019**	1,533,880
Adjustments for:		
Finance costs	**302,699**	329,956
Write-down of inventories to net realisable value	**497,082**	589,849
Provision for loss on non-cancellable purchase commitments	**859,385**	108,731
Loss on disposal of items of property, plant and equipment	**636**	4,209
Impairment of property, plant and equipment	**128,491**	–
Depreciation and amortisation	**536,148**	735,594
Recognition of prepaid land premiums	**26,396**	32,828
Share of profits and losses of associates	**(125,024)**	(119,035)
Interest income	**(75,400)**	(56,739)
Unrealised (gain)/loss on derivative financial instruments	**(474,317)**	285,601
Government grants	**(48,921)**	(629,302)
Equity-settled share option expense	**(656)**	19,160
Others	**(23,109)**	(11,203)
Operating cash flows before movements in working capital	**2,610,429**	2,823,529
Increase in inventories	**(2,001,679)**	(3,960,295)
Increase in accounts and bills receivables	**(87,939)**	(110,902)
Increase in prepayments, deposits and other receivables	**(694,889)**	(845,938)
(Increase)/decrease in amounts due from fellow subsidiaries	**(1,868,717)**	98,953
Decrease in amounts due from associates	**48,713**	29,220
Decrease/(increase) in amounts due from related companies	**88,406**	(129,300)
Increase in amounts due from the ultimate holding company	**(207,177)**	(345,177)
(Increase)/decrease in derivative financial instruments	**(531,060)**	120,557
Increase/(decrease) in accounts and bills payables	**15,601**	(149,514)
Decrease in other payables and accruals	**(478,342)**	(189,515)
Increase in amounts due to fellow subsidiaries	**360,364**	823,074
Government grants received	**37,033**	665,693
Others	**(89,700)**	191,928
Cash used in operations	**(2,798,957)**	(977,687)
Interest received	**68,597**	56,739
Interest paid	**(295,260)**	(329,956)
Income tax paid	**(591,259)**	(260,583)
NET CASH USED IN OPERATING ACTIVITIES	**(3,616,879)**	(1,511,487)

Condensed Consolidated Statement of Cash Flows (continued)

For the six months ended 30 June 2018

	For the six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
INVESTING ACTIVITIES		
(Increase)/decrease in restricted cash at bank	**(8,344)**	70,523
Dividends from associates	**–**	101,378
Proceeds from disposal of items of property, plant and equipment and intangible assets	**14,996**	16,320
Purchases of items of property, plant and equipment	**(396,084)**	(661,255)
Acquisition of subsidiaries	**27,335**	–
Proceeds from disposal of associates	**17,753**	–
Receipts of government grants	**1,359**	11,852
Decrease in loans to a fellow subsidiary	**–**	82,824
Others	**(17,867)**	(1,924)
Net cash flows used in investing activities	**(360,852)**	(380,282)
FINANCING ACTIVITIES		
New bank loans	**23,377,689**	28,930,024
New other loans	**1,711,153**	1,841,684
Repayments of bank loans	**(19,689,091)**	(26,967,321)
Repayments of other loans	**(730,188)**	(4,064,003)
Decrease in cash from discounting bank letter of credit	**–**	(444,779)
Dividends paid to non-controlling shareholders of subsidiaries	**(438,351)**	–
Exercise of share options	**24,586**	–
Others	**(1,575)**	41,745
Net cash flows from/(used in) financing activities	**4,254,223**	(662,650)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**276,492**	(2,554,419)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**10,571,797**	7,585,981
Effect of foreign exchange rate changes, net	**(30,710)**	95,622
CASH AND CASH EQUIVALENTS AT 30 JUNE, represented by		
Cash and cash equivalents	**10,817,579**	5,127,184

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;
- 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").

The condensed consolidated financial statements are presented in Hong Kong dollars which is the Company's functional currency.

2.1 BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 *Interim Financial Reporting* ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The financial information relating to the year ended 31 December 2017 that is included in these condensed consolidated financial statements as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements is as follows:

The Company has delivered the financial statements for the year ended 31 December 2017 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

The Company's auditor has reported on those 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 Companies Ordinance.

The comparatives for the six months ended 30 June 2017 were restated for the impact of discontinued operation, which is detailed in Note 8 below.

2.2 PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2018 are the same as those followed in the preparation of the Group's financial statements for the year ended 31 December 2017.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers and the related Amendments*
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*
Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*
Amendments to HKAS 28	*As part of the Annual Improvements to HKFRSs 2014-2016 Cycle*
Amendments to HKAS 40	*Transfers of Investment Property*

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

2.2.1 Impacts and changes in accounting policies of application on HKFRS 15 *Revenue from Contracts with Customers*

The Group has applied HKFRS 15 for the first time in the current interim period. HKFRS 15 superseded HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations.

The Group recognises revenue from the following major sources:

- extraction, refining and trading of edible oil and related products;
- processing and trading of rice;
- production and sale of flour products and related products; and
- processing and trading of malt.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations.

2.2 PRINCIPAL ACCOUNTING POLICIES (continued)

2.2.1 Impacts and changes in accounting policies of application on HKFRS 15 *Revenue from Contracts with Customers* (continued)

2.2.1.1 Key changes in accounting policies resulting from application of HKFRS 15

HKFRS 15 introduces a 5-step approach when recognising revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the Company satisfies a performance obligation

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Company and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

2.2.1 Impacts and changes in accounting policies of application on HKFRS 15 *Revenue from Contracts with Customers* (continued)

2.2.1.1 *Key changes in accounting policies resulting from application of HKFRS 15* (continued)

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

2.2.1.2 *Summary of effects arising from initial application of HKFRS 15*

The transition to HKFRS 15 does not have impact on the Group's retained profits at 1 January 2018.

As at 1 January 2018, advances from customers of HK$2,651,834,000 in respect of sales contracts previously included in other payables were reclassified to contract liabilities.

2.2 PRINCIPAL ACCOUNTING POLICIES (continued)

2.2.1 Impacts and changes in accounting policies of application on HKFRS 15 *Revenue from Contracts with Customers* (continued)

2.2.1.2 Summary of effects arising from initial application of HKFRS 15 (continued)

The following tables summarise the impacts of applying HKFRS 15 on the Group's condensed consolidated statement of financial position as at 30 June 2018 and its condensed consolidated statement of profit or loss for the current interim period for each of the line items affected. Line items that were not affected by the changes have not been included.

	Note As reported HK$'000	Adjustments HK$'000	Amounts without application of HKFRS 15 HK$'000
Current Liabilities			
Other payables and accruals	**5,067,810**	**2,108,450**	**7,176,260**
Contract liabilities	**2,108,450**	**(2,108,450)**	**–**

2.2.2 Impacts and changes in accounting policies of application on HKFRS 9 *Financial Instruments*

In the current period, the Group has applied HKFRS 9 *Financial Instruments* and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

In addition, the Group applied the hedge accounting prospectively.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 *Financial Instruments: Recognition and Measurement*.

2.2 PRINCIPAL ACCOUNTING POLICIES (continued)

2.2.2 Impacts and changes in accounting policies of application on HKFRS 9 *Financial Instruments* (continued)

2.2.2.1 Key changes in accounting policies resulting from application of HKFRS 9

Classification and measurement of financial assets

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15.

All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost or fair value, including unquoted equity investments measured at cost less impairment under HKAS 39.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss ("FVTPL"), except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income ("OCI") if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 *Business Combinations* applies.

In addition, the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Debt instruments/receivables classified as at FVTOCI

Subsequent changes in the carrying amounts for debt instruments/receivables classified as at FVTOCI as a result of interest income calculated using the effective interest method, are recognised in profit or loss. All other changes in the carrying amount of these debt instruments/receivables are recognised in OCI and accumulated under the heading of FVTOCI reserve. Impairment allowance are recognised in profit or loss with corresponding adjustment to OCI without reducing the carrying amounts of these debt instruments/receivables. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these debt instruments/receivables had been measured at amortised cost. When these debt instruments/receivables are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

2.2 PRINCIPAL ACCOUNTING POLICIES (continued)

2.2.2 Impacts and changes in accounting policies of application on HKFRS 9 *Financial Instruments* (continued)

2.2.2.1 *Key changes in accounting policies resulting from application of HKFRS 9* (continued)

Classification and measurement of financial assets (continued)

Equity instruments designated as at FVTOCI

At the date of initial application/initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the FVTOCI reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained profits.

Dividends on these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established in accordance with HKFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income and gains" line item in profit or loss.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other income and gains" line item.

The directors of the Company reviewed and assessed the Group's financial assets as at 1 January 2018 based on the facts and circumstances that existed at that date. Changes in classification and measurement on the Group's financial assets and the impacts thereof are detailed in Note 2.2.2.2.

2.2 PRINCIPAL ACCOUNTING POLICIES (continued)

2.2.2 Impacts and changes in accounting policies of application on HKFRS 9 *Financial Instruments* (continued)

2.2.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (continued)

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including accounts and bills receivables, deposits, other receivables, restricted cash at bank and amounts due from related parties). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for accounts receivables. The ECL on these assets are assessed individually for debtors with significant balances and collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

2.2 PRINCIPAL ACCOUNTING POLICIES (continued)

2.2.2 Impacts and changes in accounting policies of application on HKFRS 9 *Financial Instruments* (continued)

2.2.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (continued)

Impairment under ECL model (continued)

Significant increase in credit risk (continued)

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of accounts and bills receivables, other receivables and amount due from related companies where the corresponding adjustment is recognised through a loss allowance account.

As at 1 January 2018, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. The results of the assessment and the impact thereof are detailed in Note 2.2.2.2.

2.2 PRINCIPAL ACCOUNTING POLICIES (continued)

2.2.2 Impacts and changes in accounting policies of application on HKFRS 9 *Financial Instruments* (continued)

2.2.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (continued)

Classification and measurement of financial liabilities

For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows discounted at the financial liabilities' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortised over the remaining term. Any adjustment to the carrying amount of the financial liability is recognised in profit or loss at the date of modification.

Hedge accounting

The Group has elected to adopt the new general hedge accounting in HKFRS 9. This requires the Group to ensure that hedge accounting relationships are aligned with its risk management objectives and strategy and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness.

For hedge effectiveness assessment, the Group considers whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

2.2 PRINCIPAL ACCOUNTING POLICIES (continued)

2.2.2 Impacts and changes in accounting policies of application on HKFRS 9 *Financial Instruments* (continued)

2.2.2.2 *Summary of effects arising from initial application of HKFRS 9*

The table below illustrates the classification and measurement (including impairment) of financial assets and financial liabilities under HKFRS 9 and HKAS 39 at the date of initial application, 1 January 2018.

	Available-for-sale HK$'000	**Equity instruments at FVTOCI** HK$'000	**Amortised cost (previously classified as loans and receivables)** HK$'000
Closing balance at 31 December 2017 – HKAS 39	30,536	–	–
Effect arising from initial application of HKFRS 9:			
Reclassification			
From available-for-sale	(30,536)	30,536	–
From loans and receivables	–	–	17,513,068
Opening balance at 1 January 2018	–	30,536	17,513,068

(a) *Available-for-sale ("AFS") investments*

From AFS equity investments to FVTOCI

The Group elected to present in OCI for the fair value changes of all its equity investments previously classified as AFS, of which HK$30,536,000 related to unquoted equity investments previously measured at cost less impairment under HKAS 39. These investments are not held for trading and not expected to be sold in the foreseeable future. At the date of initial application of HKFRS 9, HK$30,536,000 were reclassified from AFS investments to equity instruments at FVTOCI, all of which related to unquoted equity investments previously measured at cost less impairment under HKAS 39. The fair value gains of nil relating to those unquoted equity investments previously carried at cost less impairment were adjusted to equity instruments at FVTOCI and FVTOCI reserve as at 1 January 2018.

2.2 PRINCIPAL ACCOUNTING POLICIES (continued)

2.2.2 Impacts and changes in accounting policies of application on HKFRS 9 *Financial Instruments* (continued)

2.2.2.2 Summary of effects arising from initial application of HKFRS 9 (continued)

(b) Derivative financial instruments

Derivatives are required to be classified as financial assets at FVTPL under HKFRS 9. There was no impact on the amounts recognised in relation to these instruments from the application of HKFRS 9.

(c) Impairment under ECL model

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for accounts receivables. To measure the ECL, receivables have been grouped based on shared credit risk characteristics.

Loss allowances for other financial assets at amortised cost mainly comprise of bill receivables, deposits, other receivables, restricted cash at bank and amounts due from related parties, measured on 12m ECL basis and there had been no significant increase in credit risk since initial recognition.

No additional credit loss allowance is recognised against retained profits as at 1 January 2018.

(d) Hedge accounting

The Group applies the hedge accounting requirements of HKFRS 9 prospectively. At the date of the initial application, hedging relationships that qualified for hedge accounting in accordance with HKAS 39 are regarded as continuing hedging relationship if all qualifying criteria under HKFRS 9 are met, after taking into account any rebalancing of the hedging relationship on transition. Consistent with prior periods, the Group has continued to designate the full change in the fair value of a forward contract (i.e. including the forward elements) as the hedging instrument for all of its hedging relationships involving forward contracts. As such, the adoption of the hedge accounting requirements of HKFRS 9 had not resulted in adjustments to comparative figures.

2.3 IMPACTS ON OPENING CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION ARISING FROM THE APPLICATION OF ALL NEW STANDARDS

As a result of the changes in the entity's accounting policies above, the opening balances in condensed consolidated statement of financial position had to be restated. The following table show the adjustments recognised for each individual line item.

	31 December 2017 (Audited) HK$'000	HKFRS 15 HK$'000	HKFRS 9 HK$'000	1 January 2018 (Restated) HK$'000
Non-current Assets				
Equity instruments at fair value through other comprehensive income	–	–	30,536	30,536
Available-for-sale investments	30,536	–	(30,536)	–
Current Assets				
Financial assets at fair value through profit or loss	–	–	376,607	376,607
Derivative financial instruments	376,607	–	(376,607)	–
Current Liabilities				
Other payables and accruals	6,261,660	(2,651,834)	–	3,609,826
Other financial liabilities	–	–	238,381	238,381
Derivative financial instruments	238,381	–	(238,381)	–
Contract liabilities	–	2,651,834	–	2,651,834

3A. REVENUE FROM GOODS AND SERVICES

Disaggregation of revenue

Segments	Oilseeds processing HK$'000 (Unaudited)	Rice processing and trading HK$'000 (Unaudited)	Wheat processing HK$'000 (Unaudited)	Brewing materials HK$'000 (Unaudited)	Corporate and others HK$'000 (Unaudited)	Eliminations HK$'000 (Unaudited)	Total HK$'000 (Unaudited)
	For the six months ended 30 June 2018						
Types of goods and service							
Edible oil and related products	33,224,246	–	–	–	–	(33)	33,224,213
Rice	–	7,488,191	–	–	–	(49,941)	7,438,250
Flour products and related products	–	–	5,971,447	–	–	(7)	5,971,440
Malt	–	–	–	1,294,322	–	(4,950)	1,289,372
Other	–	–	–	–	433,088	(36,192)	396,896
Total	33,224,246	7,488,191	5,971,447	1,294,322	433,088	(91,123)	48,320,171
Timing of revenue recognition							
A point in time	33,224,246	7,488,191	5,971,447	1,294,322	433,088	(91,123)	48,320,171
Total	33,224,246	7,488,191	5,971,447	1,294,322	433,088	(91,123)	48,320,171

Geographical markets

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

3B. SEGMENT INFORMATION

For management purpose, the Group is organised into business units based on their products and services and has five 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 rice processing and trading segment engages in the processing and trading of rice;

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

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

(e) the corporate and others segment comprises 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, operating expenditure, cost rationalisation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax from continuing operations. The adjusted profit/(loss) before tax from continuing operations is measured consistently with the Group's profit/(loss) before tax from continuing operations 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.

3B. SEGMENT INFORMATION (continued)

The following is an analysis of the Group's revenue and results by reportable and operating segments:

Six months ended 30 June 2018

	Oilseeds processing HK$'000 (Unaudited)	Rice processing and trading HK$'000 (Unaudited)	Wheat processing HK$'000 (Unaudited)	Brewing materials HK$'000 (Unaudited)	Corporate and others HK$'000 (Unaudited)	Eliminations HK$'000 (Unaudited)	Total HK$'000 (Unaudited)
Segment revenue:							
Sales to external customers	33,224,213	7,438,250	5,971,440	1,289,372	396,896	–	48,320,171
Intersegment sales	33	49,941	7	4,950	36,192	(91,123)	–
Other income and gains	83,554	82,921	29,654	3,273	1,831	(24,019)	177,214
Segment results	643,950	394,936	104,033	(5,711)	(26,812)	(1,102)	1,109,294
Interest income							75,400
Finance costs							(302,699)
Share of profits and losses of associates							125,024
Profit before tax							1,007,019
Income tax expense							(6,731)
Profit for the period from continuing operations							1,000,288
Other segment information:							
Depreciation and amortisation	344,249	97,356	52,783	49,092	19,064	–	562,544
Capital expenditure	207,483	53,986	73,586	41,063	9,306	–	385,424

As at 30 June 2018

	Oilseeds processing HK$'000 (Unaudited)	Rice processing and trading HK$'000 (Unaudited)	Wheat processing HK$'000 (Unaudited)	Brewing materials HK$'000 (Unaudited)	Corporate and others HK$'000 (Unaudited)	Eliminations HK$'000 (Unaudited)	Total HK$'000 (Unaudited)
Assets and liabilities							
Segment assets	39,592,598	10,577,127	4,740,226	3,232,942	15,778,470	(15,345,268)	58,576,095
Corporate and other unallocated assets							13,842,169
Total assets							72,418,264
Segment liabilities	18,966,208	5,539,302	2,735,232	796,540	1,921,163	(15,347,168)	14,611,277
Corporate and other unallocated liabilities							24,225,632
Total liabilities							38,836,909

3B. SEGMENT INFORMATION (continued)

Six months ended 30 June 2017 (Restated)

	Oilseeds processing HK$'000 (Unaudited)	Rice processing and trading HK$'000 (Unaudited)	Wheat processing HK$'000 (Unaudited)	Brewing materials HK$'000 (Unaudited)	Corporate and others HK$'000 (Unaudited)	Eliminations HK$'000 (Unaudited)	Total HK$'000 (Unaudited)
Segment revenue:							
Sales to external customers	24,612,661	6,283,136	4,140,212	1,231,853	2,752,247	–	39,020,109
Intersegment sales	170,387	416,936	393,582	3,790	105,457	(1,090,152)	–
Other income and gains	177,922	88,336	18,474	20,010	10,513	(8,804)	306,451
Segment results	432,350	277,408	69,443	179,761	(41,204)	(719)	917,039
Interest income							56,159
Finance costs							(285,150)
Share of profits and losses of associates							43,544
Profit before tax							731,592
Income tax expense							(132,994)
Profit for the period from continuing operations							598,598
Other segment information:							
Depreciation and amortisation	289,679	88,936	47,194	39,288	38,547	–	503,644
Capital expenditure	231,295	82,501	23,394	61,789	16,450	–	415,429

As at 31 December 2017

	Oilseeds processing	Rice processing and trading	Wheat processing	Brewing materials	Corporate and others	Eliminations	Total
Assets and liabilities							
Segment assets	34,768,729	11,702,091	4,177,850	3,449,082	13,971,548	(13,995,671)	54,073,629
Corporate and other unallocated assets							13,263,088
Total assets							67,336,717
Segment liabilities	17,173,425	5,685,821	2,067,629	802,578	1,318,829	(13,995,671)	13,052,611
Corporate and other unallocated liabilities							20,005,312
Total liabilities							33,057,923

4. OTHER INCOME AND GAINS

	For the six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
		(Restated)
Other income		
Government grants*	**48,921**	36,902
Storage income from agency purchase *(Note 13)*	**6,704**	10,558
Logistic service, storage income and rental income	**58,647**	64,019
Interest income	**75,400**	56,159
Others	**15,353**	28,465
	205,025	196,103
Gains		
Gains on disposal of raw materials, by-products and scrap items	**24,853**	13,145
Gain on foreign exchange, net	**–**	153,362
Others	**22,736**	–
	47,589	166,507
	252,614	362,610

* *The government grants from continuing operations 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.*

5. FINANCE COSTS

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

	For the six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
		(Restated)
Interest on:		
Bank loans	**274,141**	236,018
Loans from fellow subsidiaries	**29,384**	15,262
Loans from the ultimate holding company	**647**	34,513
Total interest expenses on financial liabilities not at fair value through profit or loss	**304,172**	285,793
Less: Interest capitalised	**(1,473)**	(643)
	302,699	285,150

6. PROFIT BEFORE TAX

Profit before tax for the period from continuing operations has been arrived at after charging/(crediting) the following items:

	For the six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
		(Restated)
Cost of inventories sold or services provided	**43,170,395**	37,000,290
Realised and unrealised fair value gains of commodity futures contracts, net	**(576,133)**	(1,356,766)
Write-down of inventories to net realisable value	**497,082**	579,386
Provision for loss on non-cancellable purchase commitments*	**859,385**	108,731
Cost of sales	**43,950,729**	36,331,641
Depreciation	**522,783**	476,116
Amortisation of intangible assets	**13,365**	2,032
Recognition of prepaid land premiums	**26,396**	25,496
Employee benefit expenses (including directors' and chief executive's remuneration)	**1,254,872**	973,694
Loss on disposal of items of property, plant and equipment	**636**	4,021
Loss/(gain) on foreign exchange, net	**76,688**	(153,362)
Realised and unrealised fair value losses on foreign currency forward contracts, net	**34,337**	117,991

* *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 2018, 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$859,385,000 (six months ended 30 June 2017: HK$108,731,000) 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 2018. The directors of the Company consider that these losses are resulted from the Group's ordinary course of business.*

7. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2017: 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, one of the Group's subsidiaries is being approved by the relevant authorities as high-technology enterprise in Mainland China, and the relevant authorities have granted this subsidiary preferential CIT rate of 15%. 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	
	2018 **HK$'000** **(Unaudited)**	2017 HK$'000 (Unaudited) (Restated)
Current – Hong Kong		
Charge for the period	**(255)**	2,213
Current – Mainland China		
Charge for the period	**192,704**	113,400
Under-provision in prior periods	**16,214**	1,527
Deferred tax	**(201,932)**	15,854
Total tax charge for the period	**6,731**	132,994

8. DISCONTINUED OPERATION

On 23 October 2017, Full Extent Group Limited# ("Full Extent"), a wholly-owned subsidiary of the Company, entered into the sale and purchase agreement and the loan assignment deed (the "Agreements") with COFCO Bio-chemical Investment Co., Ltd., a wholly-owned subsidiary of COFCO. Pursuant to the Agreements, Full Extent has agreed to dispose COFCO Biochemical Holdings Limited, COFCO Biofuel Holdings Limited and their subsidiaries (the "Biochemical and Biofuel Subsidiaries") at a total consideration of HK$8,579,341,000. Under the Agreements, Full Extent sold all its equity interests in the Biochemical and Biofuel Subsidiaries at a cash consideration of HK$5,219,226,000 and assigned the loans owed to it by the Biochemical and Biofuel Subsidiaries at a cash consideration of HK$3,360,115,000.

The disposal of the Biochemical and Biofuel Subsidiaries was approved by the independent shareholders of the Company on 15 December 2017 and the above transaction was completed on 27 December 2017. Following the completion of the disposal, the Biochemical and Biofuel Subsidiaries were classified as a discontinued operation, and the biochemical and biofuel segment is no longer included in the note for operating segment information.

The result of the Biochemical and Biofuel Subsidiaries for the six months ended 30 June 2017 are presented below:

	For the six months ended 30 June 2017 HK$'000 (Unaudited)
Revenue	5,410,971
Cost of sales	(4,463,733)
Gross profit	947,238
Other income and gains	744,517
Expenses	(920,152)
Finance costs	(44,806)
Share of profits of associates	75,491
Profit before tax from discontinued operation	802,288
Income tax	(193,727)
Profit for the period from discontinued operation	608,561

Full Extent has changed its name to COFCO Grains Holdings Limited on 9 August 2018.

8. DISCONTINUED OPERATION (continued)

The net cash flows incurred by the Biochemical and Biofuel Subsidiaries for the six months ended 30 June 2017 are as below:

	For the six months ended 30 June 2017 HK$'000 (Unaudited)
Operating activities	551,261
Investing activities	30,203
Financing activities	(561,715)
Net cash inflow	19,749
Earnings per share	
Basic, from discontinued operation	11.24 HK cents
Diluted, from discontinued operation	11.22 HK cents

9. DIVIDEND

On 29 August 2018, the Board declared an interim dividend of 3.6 HK cents (six months ended 30 June 2017: 4.0 HK cents) per ordinary share, amounting to a total of approximately HK$189,306,000 (six months ended 30 June 2017: HK$209,995,000).

The amount of the interim dividend per ordinary share for the six months ended 30 June 2018 was calculated based on the number of issued ordinary shares as at 30 June 2018.

10. EARNINGS PER SHARE

From continuing operations and discontinued operation

The calculation of basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

Earnings

	For the six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
		(Restated)
Profit attributable to owners of the Company used in the basic and diluted earnings per share calculations		
From continuing operations	**751,020**	468,645
From discontinued operation	**–**	590,375
	751,020	1,059,020

Number of shares

	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares for the purpose of basic earnings per share	**5,251,722,325**	5,249,880,788
Effect of dilutive potential ordinary shares		
Share options	**3,830,353**	14,677,190
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**5,255,552,678**	5,264,557,978

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2018, the Group acquired items of property, plant and equipment with a total cost of HK$366,284,000 (six months ended 30 June 2017: HK$559,955,000), not including property, plant and equipment acquired through business combinations.

During the current interim period, the Group disposed of certain plant and machinery with an aggregate carrying amount of HK$15,632,000 (six months ended 30 June 2017: HK$20,544,000), of which HK$15,632,000 (six months ended 30 June 2017: HK$11,925,000) was from continuing operations, resulting in a net loss on disposal of HK$636,000 (six months ended 30 June 2017: HK$4,209,000), of which HK$636,000 (six months ended 30 June 2017: HK$4,021,000) was from continuing operations.

An impairment loss of HK$128,491,000 (six months ended 30 June 2017: nil) was recognised in other expenses during the current interim period in respect of the plant and equipment of a subsidiary in the brewing materials segment, which ceased its operation during the period.

12. 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.

The following is an analysis of trade receivables by age, presented based on the invoice date and bill issue date, net of allowance for doubtful debts:

	30 June 2018 HK$'000 (Unaudited)	31 December 2017 HK$'000 (Audited)
Within 3 months	**3,094,146**	2,996,961
3 to 12 months	**162,424**	140,110
1 to 2 years	**13,535**	1,249
	3,270,105	3,138,320

As part of the Company's credit risk management, the Company uses debtors' aging to assess the impairment for its customers in relation to its sales operation because these customers consist of a large number of small customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The estimated loss rate is considered insignificant at 30 June 2018.

The estimated loss rate is estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information.

13. 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 2018, 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$355,754,000 (31 December 2017: HK$520,425,000) and HK$356,560,000 (31 December 2017: HK$522,820,000), 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$6,704,000 (six months ended 30 June 2017: HK$134,787,000), of which HK$6,704,000 (six months ended 30 June 2017: HK$10,558,000) was from continuing operations (Note 4), which is recorded as other income in the condensed consolidated statement of profit or loss.

14. 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 2018 HK$'000 (Unaudited)	31 December 2017 HK$'000 (Audited)
Within 3 months	**4,057,055**	4,000,236
3 to 12 months	**93,795**	135,863
1 to 2 years	**43,603**	11,077
Over 2 years	**4,261**	2,449
	4,198,714	4,149,625

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

15. SHARE CAPITAL

	Number of shares	**Share capital HK$'000 (Unaudited)**
Issued and fully paid:		
At 1 January 2018	**5,249,880,788**	**9,771,664**
Exercise of share options	**8,626,600**	**24,586**
At 30 June 2018	**5,258,507,388**	**9,796,250**

16. SHARE-BASED PAYMENTS

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, until 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 was HK$8.220 per share, and the outstanding number of share options of the 2011 Options had been increased by 2,646,000 shares.

16. SHARE-BASED PAYMENTS (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:

	2018		2017	
	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**	**41,177**	8.220	42,491
Forfeited during the period	**8.220**	**–**	8.220	(848)
Expired during the period*	**8.220**	**(41,177)**	8.220	–
At 30 June	**8.220**	**–**	8.220	41,643

* *Since the expiry of share option, the amount of HK$171,541,000 was transferred from employee share-based compensation reserve to retained profits.*

The vesting periods, exercise price and exercise periods of the 2011 Options outstanding as at 30 June 2018 and 2017 are as follows:

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

* *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 2011 options.*

16. SHARE-BASED PAYMENTS (continued)

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

	2018		2017	
	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**	**108,814**	2.850	131,790
Forfeited during the period	**2.850**	**(1,895)**	2.850	(3,350)
Exercised during the period	**2.850**	**(8,627)**	2.850	–
At 30 June	**2.850**	**98,292**	2.850	128,440

The vesting periods, exercise price and exercise periods of the 2015 Options outstanding as at 30 June 2018 and 2017 are as follows:

2018	2017	Vesting period	Exercise price per share*	Exercise period
Number of options granted* ’000	’000	(dd – mm – yyyy)	HK$	(dd – mm – yyyy)
32,558	42,385	4–12–2015 to 3–12–2017	2.850	4–12–2017 to 3–12–2020
32,376	42,385	4–12–2015 to 3–12–2018	2.850	4–12–2018 to 3–12–2020
33,358	43,670	4–12–2015 to 3–12–2019	2.850	4–12–2019 to 3–12–2020
98,292	128,440			

* *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.*

16. SHARE-BASED PAYMENTS (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$7,698,000 during the period (six months ended 30 June 2017: HK$19,160,000). Share option expenses of HK$8,354,000 were reversed since the forfeiture of share option.

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 98,292,000 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 98,292,000 additional ordinary shares of the Company and additional share capital of approximately HK$280,132,200 (before issue expenses).

At the date of the approval of these financial statements, the Company had share options outstanding under the Scheme, which represented approximately 1.9% of the Company's shares in issue as at that date.

17. RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

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

		For the six months ended 30 June	
	Notes	**2018** **HK$'000** **(Unaudited)**	2017 HK$'000 (Unaudited)
Transactions with fellow subsidiaries:			
Sales of goods	(i)	**1,165,341**	5,239,581
Purchases of goods	(i)	**12,961,726**	20,646,011
Operating lease rental paid	(i)	**2,039**	6,435
Interest expense	(ii)	**29,384**	16,930
Brokerage fee paid	(i)	**4,681**	2,622
Logistics service and storage expense	(i)	**14,810**	19,307
Other service expenses	(i)	**9,044**	20,087
Other service income	(i)	**43,096**	–
Transactions with the ultimate holding company:			
Sales of goods	(i)	**290,760**	–
Operating lease rental paid	(i)	**14,083**	18,747
Interest expense	(ii)	**647**	42,870
Other service expenses	(i)	**207**	–
Other service income	(i)	**16,807**	–
Transactions with associates:			
Sales of goods	(i)	**89,476**	56,328
Purchases of goods	(i)	**80,207**	24,724
Interest income	(iii)	**1,586**	5,627
Other service expenses	(i)	**–**	10,248
Other service income	(i)	**13,925**	–
Transactions with related companies*:			
Sales of goods	(i)	**188,533**	676,414
Purchases of goods	(i)	**586,245**	86,995
Other service expense	(i)	**42,233**	–
Other service income	(i)	**67**	–
Transactions with non-controlling shareholders of subsidiaries:			
Sales of goods	(i)	**–**	127,470
Purchases of goods	(i)	**25,171**	31,064

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

17. RELATED PARTY TRANSACTIONS (continued)

(a) Transactions with related parties (continued)

Notes:

(i) *For six months ended 30 June 2017 and 2018, 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 3.20% to 4.35% per annum (six months ended 30 June 2017: 1.40% to 4.35% per annum). The interest expenses to the ultimate holding company arose from the loans from COFCO which were unsecured and bore interest rates at 1.08% per annum (six months ended 30 June 2017: 1.08% to 3.92% per annum).*

(iii) *For the six months ended 30 June 2018, the interest income from associates arose from loans to an associate, which were unsecured and bore interest rates at 4.35% per annum (six months ended 30 June 2017: 3.92% to 4.35% 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) The following loans are included in other borrowings. Loans from fellow subsidiaries of HK$1,887,119,000 (31 December 2017: HK$906,198,000) bore interest at rates ranged from 3.20% to 4.35% per annum (31 December 2017: 3.20% to 4.35% per annum) and will be repaid within one year. Loans from the ultimate holding company of HK$118,610,000 (31 December 2017: HK$119,630,000) bore interest at rates 1.08% per annum (31 December 2017: 1.08% per annum), and except for long term loan of HK$106,749,000 which are payable from July 2019 to 2027, all other loans from the ultimate holding company are repayable within one year. As at 31 December 2017, all long-term loans from the ultimate holding company of HK$119,630,000 were repayable from 2019 to 2027.

(2) The loans to an associate of HK$141,164,000 at 31 December 2017 included in current assets were unsecured, and bore interest at rates of 4.35%.

(3) Amounts due to non-controlling shareholders of subsidiaries of HK$201,932,000 (31 December 2017: HK$202,644,000) are financing in nature and not repayable within one year from the end of the reporting period.

(4) Amounts due to the immediate holding company of HK$560,395,000 (31 December 2017: Nil) are related to the 2017 dividend payable.

17. RELATED PARTY TRANSACTIONS (continued)

(c) Commitments with related parties

During the period ended 30 June 2018, 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$5,501,367,000. The Group expects that these transactions will be taken place in the second half of 2018.

During the year ended 31 December 2017, the Group entered into purchase agreements with COFCO Resources, pursuant to which the Group agreed to purchase soybean from COFCO Resources with a total consideration of approximately HK$2,838,337,000. These transactions had taken place in 2018.

(d) Compensation of key management personnel of the Group

	For the six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Short term employee benefits	**2,936**	2,855
Post-employment benefits	**190**	157
Equity-settled share option expense	**445**	891
Total compensation paid to key management personnel	**3,571**	3,903

17. RELATED PARTY TRANSACTIONS (continued)

(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.

18. OPERATING LEASE ARRANGEMENTS

The Group leases certain of its office properties and land use rights under operating lease arrangements. Leases for office properties are negotiated for terms ranging from one to 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 2018 HK$'000 (Unaudited)	31 December 2017 HK$'000 (Audited)
Within one year	**48,316**	69,295
In the second to fifth years, inclusive	**34,951**	15,047
After five years	**37,120**	38,574
	120,387	122,916

19. CAPITAL COMMITMENTS

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

	30 June 2018 HK$'000 (Unaudited)	31 December 2017 HK$'000 (Audited)
Capital commitments in respect of property, plant and equipment:		
Contracted, but not provided for	**768,770**	247,651

20. OTHER COMMITMENTS

(a) Commitments under commodity futures contracts:

	30 June 2018 HK$'000 (Unaudited)	31 December 2017 HK$'000 (Audited)
Sales contracts	**17,303,267**	13,276,023
Purchases contracts	**2,018,732**	167,084

(b) Commitments under foreign currency forward contracts:

As at 30 June 2018, the Group has commitments under foreign currency forward contracts of sales with aggregate notional amounts of HK$1,169,182,000 (31 December 2017: HK$738,510,000) and contracts of purchase with an aggregate notional amount of HK$19,999,237,000 (31 December 2017: HK$11,045,947,000).

21. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial assets/ financial liabilities	**Fair value as at**		Fair value hierarchy	Valuation technique(s) and key input(s)
	30 June 2018	31 December 2017		
1) Foreign currency forward contracts	**Assets – HK$813,919,000; and Liabilities – nil**	Assets – nil; and Liabilities – HK$238,381,000	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contracted rates
2) Commodity contracts	**Assets – HK$333,370,000; and Liabilities – HK$9,157,000**	Assets – HK$376,607,000; and Liabilities – nil	Level 2	Discounted cash flow. Future cash flows are estimated based on commodity price (from observable commodity price at the end of the reporting period) and contracted rates

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values.

21. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

(continued)

Fair value measurements and valuation processes

Management has assessed that the fair values of cash and cash equivalents, restricted cash at bank, accounts and bills receivables, accounts and bills payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, 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 2018 was assessed to be insignificant.

The Group enters into financial assets at fair value through profit or loss with various counterparties, principally established commodity trading exchanges or financial institutions with good credit ratings. Financial assets at fair value through profit or loss, 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.

22. APPROVAL OF THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The unaudited condensed consolidated interim financial statements was approved and authorised for issue by the board of directors on 29 August 2018.

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