中粮
COFCO

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

(Incorporated in Hong Kong with limited liability)

(Stock Code: 606)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

- During the year, total revenue of the Group's continuing operations increased 23.9% year-on-year to HK$108,821.2 million, contributing a profit attributable to owners of the Company from continuing operations of HK$1,346.1 million (2017: HK$1,297.7 million).
- Profit attributable to owners of the Company was HK$1,346.1 million for the year ended 31 December 2018 (2017: HK$3,042.3 million). Basic earnings per share was 25.61 HK cents (2017: 57.95 HK cents).
- The Board of Directors recommends the payment of a final dividend of 1.5 HK cents per share (2017: a final dividend of 0.9 HK cents per share and a special dividend of 20.0 HK cents per share).

FINANCIAL HIGHLIGHTS	For the year ended 31 December			
	Unit	**2018**	2017	Change
Revenue	HK$'000	**108,821,161**	99,181,125	9.7%
- Continuing operations	HK$'000	**108,821,161**	87,856,153	23.9%
- Discontinued operation	HK$'000	**-**	11,324,972	-100.0%
Profit attributable to owners of the Company	HK$'000	**1,346,056**	3,042,323	-55.8%
- Continuing operations	HK$'000	**1,346,056**	1,297,669	3.7%
- Discontinued operation	HK$'000	**-**	1,744,654	-100.0%
Proposed dividend per share	HK cents	**1.5**	20.9	-92.8%
- Final	HK cents	**1.5**	0.9	66.7%
- Special	HK cents	**-**	20.0	-100.0%

The Board of Directors (the "Board") of China Agri-Industries Holdings Limited (the "Company") presents the consolidated results and financial position of the Company and its subsidiaries (the "Group") for the year ended 31 December 2018 together with the comparative figures for the year ended 31 December 2017 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
Year ended 31 December 2018

	Notes	**2018**	2017
		HK$'000	*HK$'000*
CONTINUING OPERATIONS			
REVENUE	*3,4*	**108,821,161**	87,856,153
Cost of sales	*5*	**(99,765,837)**	(81,476,703)
Gross profit		**9,055,324**	6,379,450
Other income and gains	*4*	**632,943**	1,014,340
Selling and distribution expenses		**(4,966,487)**	(2,857,852)
Administrative expenses		**(1,811,294)**	(1,795,200)
Other expenses		**(631,984)**	(451,645)
Finance costs	*6*	**(691,640)**	(630,649)
Share of profits and losses of associates		**363,824**	204,007
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	*5*	**1,950,686**	1,862,451
Income tax expense	*7*	**(317,718)**	(243,849)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**1,632,968**	1,618,602
DISCONTINUED OPERATION			
Profit for the year from a discontinued operation	*8*	**-**	1,758,880
PROFIT FOR THE YEAR		**1,632,968**	3,377,482
Attributable to:			
Owners of the Company		**1,346,056**	3,042,323
Non-controlling interests		**286,912**	335,159
		1,632,968	3,377,482

CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Continued)
Year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	10		
Basic			
- For profit for the year		**25.61 HK cents**	57.95 HK cents
- For profit from continuing operations		**25.61 HK cents**	24.72 HK cents
Diluted			
- For profit for the year		**25.57 HK cents**	57.87 HK cents
- For profit from continuing operations		**25.57 HK cents**	24.68 HK cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2018

	2018 HK$'000	2017 HK$'000
PROFIT FOR THE YEAR	**1,632,968**	3,377,482
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(1,174,150)**	2,014,246
Reclassification adjustments for foreign operations disposed of during the year	**-**	(695,446)
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods	**(1,174,150)**	1,318,800
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	**(1,174,150)**	1,318,800
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**458,818**	4,696,282
Attributable to:		
Owners of the Company	**363,994**	4,062,500
Non-controlling interests	**94,824**	633,782
	458,818	4,696,282

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2018

	Notes	**2018** HK$'000	2017 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**16,921,331**	16,752,112
Prepaid lease payments		**2,137,675**	2,037,602
Deposits for purchases of items of property, plant and equipment		**143,771**	34,817
Goodwill		**1,518,670**	1,382,735
Investments in associates		**2,294,206**	2,106,847
Equity instruments at fair value through other comprehensive income		**28,066**	-
Available-for-sale investments		-	30,536
Intangible assets		**612,338**	640,592
Deferred tax assets		**792,674**	568,236
Total non-current assets		**24,448,731**	23,553,477
CURRENT ASSETS			
Inventories		**23,314,434**	22,630,782
Accounts and bills receivables	*11*	**4,102,926**	3,138,320
Prepayments, deposits and other receivables		**4,612,215**	4,555,367
Other receivables due from Sinograin		**52,183**	520,425
Financial assets at fair value through profit or loss		**186,365**	-
Derivative financial instruments		**-**	376,607
Due from fellow subsidiaries		**5,446,633**	1,681,502
Due from related companies		**31,372**	30,016
Due from the ultimate holding company		**21,150**	41,294
Due from non-controlling shareholders of subsidiaries		**1,505**	5,873
Due from associates		**20,979**	215,049
Tax recoverable		**9,030**	16,208
Restricted cash at bank		**921,327**	-
Cash and cash equivalents		**7,396,978**	10,571,797
Total current assets		**46,117,097**	43,783,240

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)
As at 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
CURRENT LIABILITIES			
Accounts and bills payables	12	**3,003,744**	4,149,625
Other payables and accruals		**4,799,785**	6,261,660
Other financial liabilities		**45,682**	-
Derivative financial instruments		**-**	238,381
Interest-bearing bank and other borrowings		**22,093,866**	19,007,057
Bank borrowings due to ADBC		**52,183**	522,820
Due to fellow subsidiaries		**2,362,822**	631,906
Due to the ultimate holding company		**177,769**	280,817
Due to related companies		**10,566**	6,612
Due to non-controlling shareholders of subsidiaries		**11,058**	31,014
Due to associates		**9,425**	23,816
Contract liabilities		**3,079,307**	-
Tax payable		**272,942**	552,985
Deferred income		**30,366**	29,951
Total current liabilities		**35,949,515**	31,736,644
NET CURRENT ASSETS		**10,167,582**	12,046,596
TOTAL ASSETS LESS CURRENT LIABILITIES		**34,616,313**	35,600,073
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**97,010**	174,181
Due to the ultimate holding company		**69,836**	-
Due to non-controlling shareholders of subsidiaries		**198,803**	202,644
Deferred income		**643,141**	648,400
Deferred tax liabilities		**387,033**	271,089
Other non-current liabilities		**24,561**	24,965
Total non-current liabilities		**1,420,384**	1,321,279
Net assets		**33,195,929**	34,278,794

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)
As at 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
EQUITY			
Equity attributable to owners of the Company			
Share capital	13	**9,797,048**	9,771,664
Other reserves		**19,166,147**	20,083,548
		28,963,195	29,855,212
Non-controlling interests		**4,232,734**	4,423,582
Total equity		**33,195,929**	34,278,794

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance (Chapter 622). They have been prepared under the historical cost convention, except for certain financial instruments, which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

The unaudited financial information relating to the year ended 31 December 2018 and the financial information relating to the year ended 31 December 2017 included in this preliminary announcement of 2018 annual results do not constitute the Company's statutory annual consolidated financial statements for those years but, in respect of the year ended 31 December 2017, is derived from those consolidated financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The consolidated financial statements for the year ended 31 December 2018 have yet to be reported on by the Company's auditor, Deloitte Touche Tohmatsu, and will be delivered to the Registrar of Companies in due course.

The Company has delivered the consolidated 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 former auditor of the Company, Ernst & Young, had reported on those consolidated financial statements for the year ended 31 December 2017. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

New and Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by the HKICPA for the first time in the current year:

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

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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 year. HKFRS 15 superseded HKAS 18 Revenue, HKAS 11 Construction Contracts and the related interpretations.

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 and has used the practical expedient for all contract modifications that occurred before the date of initial application, the aggregate effect of all of the modifications was reflected at the date of initial application. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 Revenue and HKAS 11 Construction Contracts and the related interpretations.

The Group recognises revenue from the following major sources which arise from contracts with customers:

- 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 brewing materials.

2.1.1 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.

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2017	Reclassification	Carrying amounts under HKFRS 15 at 1 January 2018 *
	HK$'000	HK$'000	HK$'000
Current Liabilities			
Other payables and accruals	6,261,660	(2,501,242)	3,760,418
Due to fellow subsidiaries	631,906	(6,169)	625,737
Due to the ultimate holding company	280,817	(32,629)	248,188
Due to related companies	6,612	(997)	5,615
Contract liabilities	-	2,541,037	2,541,037

* The amounts in this column are before the adjustments from the application of HKFRS 9.

The following table summarises the impacts of applying HKFRS 15 on the Group's consolidated statement of financial position as at 31 December 2018 for each of the line items affected. Line items that were not affected by the changes have not been included.

	As reported	Adjustments	Amounts without application of HKFRS 15
	HK$'000	HK$'000	HK$'000
Current Liabilities			
Other payables and accruals	4,799,785	2,963,222	7,763,007
Due to fellow subsidiaries	2,362,822	40,231	2,403,053
Due to the ultimate holding company	177,769	16,622	194,391
Due to related companies	10,566	59,232	69,798
Contract liabilities	3,079,307	(3,079,307)	-

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

In the current year, 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 under ECL model) 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.

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

In addition, the Group applied the hedge accounting prospectively.

2.2.1 Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification 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$'000	Equity instruments at fair value through other comprehensive income HK$'000	Financial assets at amortised cost (previously classified as loans and receivables) HK$'000
Closing balance at 31 December 2017 – HKAS 39	30,536	-	-
Reclassification			
From available-for-sale investments	(30,536)	30,536	-
From loans and receivables	-	-	17,513,068
Opening balance at 1 January 2018	-	30,536	17,513,068

2.2.1 Summary of effects arising from initial application of HKFRS 9- Continued

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

From AFS equity investments to fair value through other comprehensive income ("FVTOCI")

The Group elected to present in other comprehensive income ("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. No fair value changes 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.

(b) Derivative financial instruments

Derivatives not designated as effective hedging instruments are presented in financial assets at fair value through profit or loss ("FVTPL") and are continued to be measured at FVTPL. 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 bills receivables, deposits, other receivables, restricted cash at bank and amounts due from related parties, measured on 12-month 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.

HK(IFRIC)-Int 22 Foreign Currency Transactions and Advance Consideration

The interpretation specifies that the date of transaction is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the Group is required to determine the date of transaction for each payment or receipt of advance consideration.

On initial application, the Group applied the interpretation retrospectively in accordance with HKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

2.3 Impacts on opening consolidated statement of financial position arising from the application of all new standards

As a result of the changes in the Group's accounting policies above, the opening balances in consolidated statement of financial position had to be restated. The following table shows the adjustments recognised for each of the line items affected. Line items that were not affected by the changes have not been included.

	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 FVTOCI	-	-	30,536	30,536
AFS investments	30,536	-	(30,536)	-
Current Assets				
Financial assets at FVTPL	-	-	376,607	376,607
Derivative financial instruments	376,607	-	(376,607)	-
Current Liabilities				
Other payables and accruals	6,261,660	(2,501,242)	-	3,760,418
Due to fellow subsidiaries	631,906	(6,169)	-	625,737
Due to the ultimate holding company	280,817	(32,629)	-	248,188
Due to related companies	6,612	(997)	-	5,615
Other financial liabilities	-	-	238,381	238,381
Derivative financial instruments	238,381	-	(238,381)	-
Contract liabilities	-	2,541,037	-	2,541,037

3. OPERATING SEGMENT INFORMATION

For management purposes, 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 resource allocation 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.

Information about a major customer
During the years ended 31 December 2018 and 31 December 2017, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue.

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

3. OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2018

	Oilseeds processing *HK$'000*	Rice processing and trading *HK$'000*	Wheat processing *HK$'000*	Brewing materials *HK$'000*	Corporate and others *HK$'000*	Eliminations *HK$'000*	Total *HK$'000*
Segment revenue:							
Sales to external customers	77,946,287	15,191,325	12,855,917	2,243,557	584,075	-	108,821,161
Intersegment sales	116	453	7	11,340	35,491	(47,407)	-
Other revenue	262,999	186,461	52,294	10,740	17,925	(54,018)	476,401
Segment results	1,442,789	545,549	113,884	105,176	(80,036)	(5,402)	2,121,960
Interest income							156,542
Finance costs							(691,640)
Share of profits and losses of associates							363,824
Profit before tax from continuing operations							1,950,686
Income tax expense							(317,718)
Profit for the year from continuing operations							1,632,968
Other segment information:							
Depreciation and amortisation	691,384	193,793	106,155	79,737	39,281	-	1,110,350
Impairment losses recognised in the consolidated statement of profit or loss	71,055	25,227	4,557	126,007	56,560	-	283,406
Capital expenditure	1,650,761	178,492	579,491	80,483	22,621	-	2,511,848

3. OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2017

	Oilseeds processing *HK$'000*	Rice processing and trading *HK$'000*	Wheat processing *HK$'000*	Brewing materials *HK$'000*	Corporate and others *HK$'000*	Eliminations *HK$'000*	Total *HK$'000*
Segment revenue:							
Sales to external customers	56,232,382	12,465,067	10,563,641	2,374,229	6,220,834	–	87,856,153
Intersegment sales	420,660	9,829	11,494	9,337	134,997	(586,317)	–
Other revenue	553,229	218,047	42,424	39,168	84,080	(46,432)	890,516
Segment results	1,177,798	509,348	158,024	289,596	31,419	(916)	2,165,269
Interest income							123,824
Finance costs							(630,649)
Share of profits and losses of associates							204,007
Profit before tax from continuing operations							1,862,451
Income tax expense							(243,849)
Profit for the year from continuing operations							1,618,602
Other segment information:							
Depreciation and amortisation	594,281	182,707	98,151	80,791	79,357	–	1,035,287
Impairment losses recognised/(reversed) in the consolidated statement of profit or loss	(9,620)	(2,272)	3,036	–	7,027	–	(1,829)
Capital expenditure	1,397,128	175,984	114,890	115,876	36,845	–	1,840,723

3. OPERATING SEGMENT INFORMATION (Continued)

31 December 2018

	Oilseeds processing *HK$'000*	**Rice processing and trading** *HK$'000*	**Wheat processing** *HK$'000*	**Brewing materials** *HK$'000*	**Corporate and others** *HK$'000*	**Eliminations** *HK$'000*	**Total** *HK$'000*
Assets and liabilities							
Segment assets	**40,157,356**	**10,601,268**	**5,235,854**	**2,820,899**	**17,957,570**	**(17,621,334)**	**59,151,613**
Corporate and other unallocated assets							**11,414,215**
Total assets							**70,565,828**
Segment liabilities	**21,893,855**	**5,660,220**	**3,099,397**	**735,853**	**747,151**	**(17,617,428)**	**14,519,048**
Corporate and other unallocated liabilities							**22,850,851**
Total liabilities							**37,369,899**

31 December 2017

	Oilseeds processing *HK$'000*	Rice processing and trading *HK$'000*	Wheat processing *HK$'000*	Brewing materials *HK$'000*	Corporate and others *HK$'000*	Eliminations *HK$'000*	Total *HK$'000*
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. REVENUE, OTHER INCOME AND GAINS

Disaggregation of revenue from contracts with customers

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information:

	For the year ended 31 December 2018						
	Oilseeds processing *HK$'000*	**Rice processing and trading** *HK$'000*	**Wheat processing** *HK$'000*	**Brewing materials** *HK$'000*	**Corporate and others** *HK$'000*	**Eliminations** *HK$'000*	**Total** *HK$'000*
Types of goods and services							
Edible oil and related products	77,946,403	-	-	-	-	(116)	77,946,287
Rice	-	15,191,778	-	-	-	(453)	15,191,325
Flour and related products	-	-	12,855,924	-	-	(7)	12,855,917
Malt	-	-	-	2,254,897	-	(11,340)	2,243,557
Others	-	-	-	-	619,566	(35,491)	584,075
Total	77,946,403	15,191,778	12,855,924	2,254,897	619,566	(47,407)	108,821,161
Timing of revenue recognition							
A point of time	77,946,403	15,191,778	12,855,924	2,254,897	619,566	(47,407)	108,821,161
Total	77,946,403	15,191,778	12,855,924	2,254,897	619,566	(47,407)	108,821,161

The Group's revenue is mainly generated from the sale of products. The revenue is recognised when the control of the goods has transferred. Some of the customers pay the transaction price immediately when they purchase the goods. Others need credit approval. For credit sales to customers, credit approval is required and the credit period is generally 30 to 180 days. All contracts are for a period of one year or less.

4. REVENUE, OTHER INCOME AND GAINS (Continued)

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

	2018	2017
	HK$'000	*HK$'000*
Other income		
Interest income	**156,542**	123,824
Government grants*	**130,387**	123,769
Storage income from agency purchase	**9,933**	19,342
Logistics service and storage income	**118,451**	104,027
Compensation income	**1,581**	2,392
Tax refunds	**28,439**	32,693
Others	**74,789**	56,909
	520,122	462,956
Gains		
Gains on disposal of raw materials, by-products and scrap items	**58,233**	51,158
Realised and unrealised fair value gains on foreign currency forward contracts, net	**31,775**	-
Gain on foreign exchange, net	**-**	451,073
Gain on disposal of subsidiaries	**-**	29,630
Gain on disposal of associates	**2,356**	-
Gain from purchase of subsidiaries	**20,334**	-
Others	**123**	19,523
	112,821	551,384
	632,943	1,014,340

* Various government grants have been received by the Group in certain provinces in Mainland China, which are available for industries or locations in which the Company's subsidiaries operate. There are no unfulfilled conditions or contingencies relating to these grants.

5. PROFIT BEFORE TAX FROM CONTINUING OPERATIONS

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

	2018	2017
	HK$'000	*HK$'000*
Cost of inventories sold or services provided	**100,393,161**	82,131,349
Provision for inventories	**1,156,878**	481,875
Provision for loss on non-cancellable purchase commitments*	**840,196**	366,675
Realised and unrealised fair value gains of commodity futures contracts, net	**(1,645,259)**	(1,954,735)
Fair value losses/(gains) on foreign currency forward contracts for hedging purpose, net	**(979,139)**	451,539
Cost of sales	**99,765,837**	81,476,703
Auditors' remuneration	**3,680**	4,706
Depreciation	**1,028,496**	970,936
Amortisation of intangible assets	**26,608**	14,032
Minimum lease payments under operating leases	**136,240**	32,932
Recognition of prepaid lease payments	**55,246**	50,319
Employee benefit expenses (excluding directors' and chief executive's remuneration):		
Wages and salaries	**2,209,750**	1,939,931
Pension scheme contributions***	**212,044**	176,358
Equity-settled share option expenses	**6,322**	36,008
	2,428,116	2,152,297
Loss/(gain) on foreign exchange, net**	**289,480**	(451,073)
Realised and unrealised fair value losses/(gains) on foreign currency forward contracts, net	**(31,775)**	417,771
Losses on disposal of items of property, plant and equipment	**10,972**	11,190
Losses on disposal of items of intangible assets	**197**	2,442
Impairment of items of property, plant and equipment	**268,055**	1,246
Impairment of accounts receivables	**14,519**	600
Impairment/(reversal of impairment) of prepayment and other receivables	**832**	(3,675)

* It is the Group's usual practice to enter into purchase commitments of raw materials with delivery of raw materials at a specified future date. As at 31 December 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 arising from the aforesaid Purchase Contracts of HK$840,196,000 (2017: HK$366,675,000) is estimated with reference to the expected selling prices of the corresponding products, estimated costs to be incurred to completion and disposal, and a provision thereon has been made in the consolidated statement of profit or loss for the year ended 31 December 2018. The directors of the Company consider that these losses are resulted from the Group's ordinary course of business.

** The net loss/(gain) on foreign exchange is included in "other expenses/other income and gains" in the consolidated statement of profit or loss.

*** At 31 December 2018, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2017: Nil).

6. FINANCE COSTS

The Group's analysis of finance costs from continuing operations is as follows:

	2018	2017
	HK$'000	*HK$'000*
Interest on:		
Bank loans	**633,903**	548,838
Loans from fellow subsidiaries	**62,076**	37,979
Loans from an intermediate holding company	**-**	8,864
Loans from the ultimate holding company	**1,273**	37,374
Total interest expenses on financial liabilities not at fair value through profit or loss	**697,252**	633,055
Less: Interest capitalised	**(5,612)**	(2,406)
	691,640	630,649

7. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates. Pursuant to the approvals issued by the State Administration of Taxation of the PRC during 2013, the Company and certain of its subsidiaries incorporated out of Mainland China are regarded as Chinese resident enterprises, and the relevant enterprise income tax policies of PRC are applicable to the Company and these subsidiaries commencing from 1 January 2013.

	2018	2017
	HK$'000	*HK$'000*
Current – Hong Kong		
Charge for the year	**263**	1,718
Overprovision in prior years	**(195)**	(64)
Current – Mainland China		
Charge for the year	**456,159**	126,759
Underprovision in prior years	**15,684**	9,049
Deferred tax	**(154,193)**	106,387
Total tax charge for the year from continuing operations	**317,718**	243,849
Total tax charge for the year from a discontinued operation	**-**	711,501
Total tax charge for the year	**317,718**	955,350

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 Corporation ("COFCO"). Pursuant to the Agreements, Full Extent 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 shall sell its 100% equity interests in the Biochemical and Biofuel Subsidiaries at a cash consideration of HK$5,219,226,000 and assign 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.

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

9. DIVIDENDS

	2018	2017
	HK$'000	*HK$'000*
Interim dividend – 3.6 HK cents (2017: 4.0 HK cents) per ordinary share	**189,313**	209,995
Proposed final dividend – 1.5 HK cents (2017: 0.9 HK cents) per ordinary share	**78,882**	47,249
Proposed special dividend – Nil (2017: 20.0 HK cents) per ordinary share	**-**	1,049,976
	268,195	1,307,220

The proposed final dividend was calculated based on 5,258,787,388 (31 December 2017: 5,249,880,788) ordinary shares in issue as at 31 December 2018.

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

10. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the Company, and the weighted average number of 5,255,249,299 ordinary shares (2017: 5,249,880,788 ordinary shares) in issue during the year.

For the year ended 31 December 2018, the calculation of the diluted earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

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

	2018	2017
	HK$'000	*HK$'000*
Earnings		
Profit attributable to ordinary equity holders of the Company used in the basic and diluted earnings per share calculations		
From continuing operations	**1,346,056**	1,297,669
From a discontinued operation	**-**	1,744,654
	1,346,056	3,042,323

	2018	2017
Number of shares		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted earnings per share calculations	**5,255,249,299**	5,249,880,788
Effect of dilution – weighted average number of ordinary shares:		
Share options	**8,987,229**	7,602,632
	5,264,236,528	5,257,483,420

11. ACCOUNTS AND BILLS RECEIVABLES

	2018	2017
	HK$'000	*HK$'000*
Accounts and bill receivables	**4,136,107**	3,160,001
Less: Allowance for credit losses	**(33,181)**	(21,681)
	4,102,926	3,138,320

As at 31 December 2018 and 31 December 2017, accounts receivables, net of allowance for credit losses, from contracts with customers amounted to HK$3,574,498,000 and HK$2,909,351,000 respectively.

An ageing analysis of the accounts and bills receivables at the end of the reporting period, based on the invoice date and bill issue date, net of allowance for credit losses, is as follows:

	2018	2017
	HK$'000	*HK$'000*
Within 3 months	**3,931,031**	2,996,961
3 to 12 months	**169,850**	140,110
1 to 2 years	**1,425**	1,249
2 to 3 years	**620**	–
	4,102,926	3,138,320

As at 31 December 2018, total bills received amounting to HK$528,428,000 (31 December 2017: HK$228,969,000) are held by the Group for future settlement. All bills received by the Group are with a maturity period of less than one year.

12. ACCOUNTS AND BILLS PAYABLES

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

	2018	2017
	HK$'000	*HK$'000*
Within 3 months	**2,911,538**	4,000,236
3 to 12 months	**72,192**	135,863
1 to 2 years	**16,592**	11,077
Over 2 years	**3,422**	2,449
	3,003,744	4,149,625

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

13. SHARE CAPITAL

	Numbers of shares		Share Capital	
	2018	2017	**2018**	2017
			HK$'000	*HK$'000*
Issued and fully paid:				
At the beginning of the year	**5,249,880,788**	5,249,880,788	**9,771,664**	9,771,664
Exercise of share options	**8,906,600**	-	**25,384**	-
At the end of the year	**5,258,787,388**	5,249,880,788	**9,797,048**	9,771,664

14. OPERATING LEASE ARRANGEMENTS

As lessee

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

At 31 December 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2018	2017
	HK$'000	*HK$'000*
Within one year	**103,315**	69,295
In the second to fifth years, inclusive	**103,529**	15,047
After five years	**36,238**	38,574
	243,082	122,916

15. CONTINGENT LIABILITIES

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

	Company	
	2018	2017
	HK$'000	*HK$'000*
Guarantees given to banks in connection with facilities granted to subsidiaries	**6,828,606**	8,925,687

As at 31 December 2018, the banking facilities granted to certain subsidiaries subject to guarantees given to banks by the Company were utilised to the extent of approximately HK$4,367,256,000 (31 December 2017: HK$4,035,009,000).

16. CAPITAL COMMITMENTS

In addition to the operating lease commitments detailed in note 14 above, the Group had the following capital commitments at the end of the reporting period:

	2018	2017
	HK$'000	*HK$'000*
Contracted, but not provided for:		
Property, plant and equipment	**1,248,739**	247,651

17. OTHER COMMITMENTS

Commitments under commodity futures contracts with aggregate notional amount:

	2018	2017
	HK$'000	*HK$'000*
Sales contracts	**4,612,284**	13,276,023
Purchases contracts	**4,224,579**	167,084

Commitments under foreign currency forward contracts with aggregate notional amount:

As at 31 December 2018, the Group has commitments under foreign currency forward contracts of sales with aggregate notional amount of HK$601,490,000 (31 December 2017: HK$738,510,000) and contracts of purchase with an aggregate notional amount of HK$18,336,984,000 (31 December 2017: HK$11,045,947,000).

18. EVENTS AFTER REPORTING PERIOD

On 13 March 2019, COFCO Rice (HK) No.6 Limited ("Rice No.6"), a wholly-owned subsidiary of the Company, and COFCO entered into the Shenyang Rice Capital Increase Agreement, to agree upon the capital increase in COFCO Shenyang Rice Processing Limited ("Shenyang Rice") on a pro-rata basis. Pursuant to which, Rice No.6 and COFCO shall make a capital increase in an amount of RMB87,609,000 and RMB12,253,000 in Shenyang Rice, respectively. The proposed capital increase of Rice No.6 will be paid in cash out of the internal funds of the Group. Immediately after the completion of capital increase in Shenyang Rice, the shareholders and shareholding ratio of Shenyang Rice will remain the same, and Shenyang Rice will continue be held as to 87.73% by Rice No.6 and 12.27% by COFCO.

On 13 March 2019, COFCO Rice (HK) No.2 Limited ("Rice No.2"), a wholly-owned subsidiary of the Company, and COFCO entered into the Yancheng Rice Capital Increase Agreement, to agree upon the capital increase in COFCO Rice (Yancheng) Co., Ltd. ("Yancheng Rice") on a pro-rata basis. Pursuant to which, Rice No.2 and COFCO shall make a capital increase in an amount of RMB17,846,000 and RMB2,154,000 in Yancheng Rice, respectively. The proposed capital increase of Rice No.2 will be paid in cash out of the internal funds of the Group. Immediately after the completion of capital increase in Yancheng Rice, the shareholders and shareholding ratio of Yancheng Rice will remain the same, and Yancheng Rice will continue to be held as to 89.23% by Rice No.2 and 10.77% by COFCO.

CHAIRMAN’S STATEMENT

In 2018, changes in trade and monetary policies among global major economies have increased uncertainty and weakened the momentum of economic growth. China’s economic development maintained a steady and positive trend, with GDP increasing by 6.6% year-on-year and most of its other major economic metrics stayed within a reasonable range. Domestic consumption has continued to expand steadily and became the most significant driver of the country’s economic growth which has, in turn, led to increasing demands for higher product and service quality. With the changes in international trade policies and the continuing progress of market-oriented reforms for domestic grain pricing, the agri-food processing industry was facing heightened market volatility. Facing these challenges, leading companies are well positioned to manage changes through leveraging on their competitive edge and their command of resources and professional capabilities, and to satisfy market demands for product and services upgrades, as well as continuing to promote and capitalise on opportunities arising from industry consolidation.

During 2018, China Agri-Industries Holdings Limited (“China Agri” or the “Company”) continued to implement our strategic goal of “Focusing on rice, flour and edible oil products, with the aim of repositioning as the leading integrated player for the grain and edible oil processing and branded consumer business”. As part of our plan to achieve this goal, we achieved a milestone for capacity increase and branded business by partially exercising the option to acquire four oilseeds processing plants. As a result, business scale further expanded and revenue reached a new height. After taking into consideration our operating performance, financial positions and future expansion plans, the Board has recommended the payment of final dividend of 1.5 HK cents for 2018.

We have always valued corporate governance as one of the pillars that supports the sustainable development of the Company. Our system of governance continues to support the Company’s stable development. Our directors are committed and charged with well-defined responsibilities, and along with our management, are jointly responsible for maintaining transparency and effective communication with our shareholders. We also adhere to a strict code of business ethics. During 2018, we successfully convened our annual general meeting and an extraordinary general meeting in which all resolutions, including the acquisition of certain oilseeds processing plants and a port development project, were approved. Pursuant to the new requirements of the Listing Rules and Corporate Governance Code, our Board approved and adopted new policies on nomination of directors and dividend distribution, thus further improving our internal system in support of the stable and compliant operations of the Company.

There were several recent personnel changes in the Board. On 7 December 2018, I was appointed Chairman and Non-executive Director. On 2 January 2019, Mr. XU Guanghong became Executive Director. On behalf of the Board, I would like to express my sincere gratitude to Mr. DONG Wei for his outstanding contributions to the Company during his tenure as our Chairman. Mr. XU Guanghong and I both appreciate the trust that has been placed in us. The Board will devote our collective knowledge and experience to safeguard the overall interests of the Company and our shareholders and to lead the Company into our next phase of development.

Looking ahead to 2019, factors such as a slowdown in international trade and changes in monetary policies of various developed economies may further slow global economic growth. Facing such complicated external environment issues, China is expected to continue to firmly upholding its general working principle of "Making progress while maintaining stability". By focusing on high-quality development initiatives and engaging in its continuing market-oriented reforms, the Chinese economy will continue to encourage and foster a macro environment for further corporate growth, stability and managed advancements. Domestic consumption expansion, and the related market development for product and service upgrades, is expected to provide an important engine for the country's overall economic growth. Benefited by government policies target to encourage consumption, along with reductions in taxes and levies, these factors are positive to the long-term and sustainable development in the agri-food processing industry.

In accordance with our strategic plan, we will continue to, through multi-channels, to optimize our production capacity and take advantage of our integrated value chain in our strive to develop our branded businesses, strengthen the competitiveness of our core business, and to further improve our business scale and profitability as we look to add long-term sustainable value for our shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In 2018, the overall agri-food processing industry was relatively volatile due to the significant fluctuations in commodity supply, demand and market prices caused by changes in the domestic and international business environment. The business operations also faced increasing uncertainties. Profit margins started to trend downwards during the second half of the year. Leveraging the Company's integrated value chain, China Agri cautiously adjusted the pace of business to respond to market fluctuations and integrated its resources to promote market development and strategy optimisation. As a result, China Agri continued to expand the scale of its business and further strengthen its leading position in the industry.

During the year under review, the total sales volume of major products, including vegetable oil, rice and flour, increased significantly year-on-year to 23.228 million metric tons, while the sales volume of branded products also rose on a year-on-year basis, further increasing the Company's capacity utilisation rate. Revenue from continuing operations increased 23.9% year-on-year to HK$108,821.2 million, hitting a new record high. The gross profit of core oilseeds, rice and wheat businesses increased due to greater economies of scale with improved operational efficiency, which helped offset the impact of more investments for market expansion and higher asset impairment losses on property, plant and equipment. The Company's profit attributable to equity holders from continuing operations for 2018 was HK$1,346.1 million, versus HK$1,297.7 million in 2017.

The Company's profit attributable to equity holders for 2018 declined as compared to HK$3,042.3 million in 2017, due to the completion of the disposal of the biochemical and biofuel business on 27 December 2017.

- **Oilseeds Processing Business:**

In 2018, the international soybean market fluctuated greatly mainly due to changes in Sino-US trade policies while prices rose in the first half of the year followed by the weak market in the second half. As the growth in domestic demand for major products slowed, the oilseed processing industry faced increasing challenges. This posed a higher competent standard on completeness of business portfolio and professionalism, which promoted the concentration of production capacity and market share towards large-scale enterprises.

As an industry-leading player in China, China Agri has built a vertically integrated supply chain which adds value to our entire business operations, from raw material procurement to the operation of consumer brands. With a nationwide business and established international information network, China Agri is well positioned and constantly collects market intelligence for the oilseeds processing business, including information on crop planting, growth progress, raw material sales, product demand and distribution. By making good use of professional and informed market analysis based on such valuable data, China Agri's business teams, where deemed commercially appropriate, exercise judicious discretion to execute the procurement and sourcing decisions with the view to safeguard raw material supply at competitive costs, meeting the Company's production and sales needs. With our robust risk management system, we strive to conduct business to achieve appropriate timing and pace, and to effectively stabilise profit margins, which has helped to deliver a year-on-year improvement in operating results. During the course of 2018, China Agri also partially exercised the purchase option on certain oilseed processing assets of COFCO International to further expand and improve the nationwide layout of its production facilities. Operational efficiency and profitability were also improved by internal costs benchmarking and cooperation between factories.

The branded edible oil business has become a major growth driver of the Company. After years of development, the market has been relatively mature and brand value is becoming increasingly important. During the year, the Company increased its investments in branding for the oilseeds processing business and established a strategic product line with one core and five priority products (一超級、五重點). The Company also increased brand awareness for its premium "Fortune (福临门)" brand through advertising, ongoing public relations work and event marketing. "Fortune Nutritious Cooking Oil (福临门营养家食用调和油)" and "Hometown Flavor Peanut Oil (家香味土榨花生油)" were honored by being designated products for the 18th Meeting of the Council of Heads of Member States of the Shanghai Cooperation Organization. This recognition strengthened the image of premium "Fortune (福临门)" brand and reliable products quality. During the 2019 Spring Festival, four sets of high-speed trains named after "China Agri-Fortune (中粮福临门)" took thousands of travelers back to their hometown, helping to foster feelings of "happiness" and "home" to the brand image of "Fortune (福临门)". Online advertising and offline marketing for the consumer-packaged edible oil business were carried out at over 200 roadshows and approximately 130,000 promotional activities in 65 cities nationwide, all of which helped to increase brand exposure and sales conversion. With the support from optimisation of the Company's distributor network and effective resource allocation, total sales volume of consumer-packaged edible oil products in 2018 was 1,189,000 metric tons, an increase of 18.3%[1] year-on-year. Mid-packaged edible oil business also developed well with the growth of catering and restaurant market.

In 2018, sales of oilseed meal and vegetable oils were 9,652,000 metric tons and 5,653,000 metric tons, an increase of 15.8% and 30.8% year-on-year, respectively, which helped lead to a higher capacity utilisation rate. Revenue rose by 38.6% from the prior year to HK$77,946.3 million. Gross profit margin increased by 1.1 percentage points compared with last year. Operating profit rose by 22.5% year-on-year.

[1] Acquisition of sales and distribution business of packaged edible oil was completed on 14 September 2017. Comparable data is the total sales volume in 2017 which includes sales from January to September.

- Rice Processing and Trading Business:

In 2018, the market-based reforms of the grain pricing mechanism in China continued to be implemented. The minimum purchase price for paddy was adjusted downward to allow for a more favourable environment for the processing industry, which eased raw material cost pressure and helped to support an improvement in profitability. The overall scale of the domestic rice market remained fairly stable. The trend of consumption upgrade continued, and the speedy growth in demand of packaged rice, especially for medium and high-priced products, helped to deliver an improvement in overall profitability for the rice processing industry. As consumers continue to upgrade to higher-end products, high-quality raw paddy is becoming a scarce resource, which is helping to accelerate industry consolidation and give a competitive advantage to large-scale integrated conglomerates.

As a domestic leader in the consumer-packaged rice market, the Company increased its investments in 2018 to improve its brand influence, enhance product innovation and increase premium pricing. For the "Fortune (福临门)" brand, the Company communicated the core brand message of "rice from the best growing regions (優質產區的大米)", and marketed the brand under the slogan "choose Fortune for your rice and flour (買米買麵認準福臨門)". In addition, the Company conducted a number of PR activities such as ploughing day and harvest day to show off the quality paddy fields where the rice is grown and foster a premium image. The Company also created a variety of customised products for e-commerce, with product in cooperation with famous IPs such as "The Palace Museum (故宫)" and "Journey Frog (旅行青蛙)", to improve brand awareness among the younger generation of consumers. A new high-end series "Jintian Rice (金田米)" was also launched in Shanghai, Beijing, Nanjing and Ningbo for the first time to lead product upgrade. At the same time, the Company promoted its cooperation with partners such as China Post, China National Petroleum Corporation, Sinopec Group and Meicai, penetrated more in smaller cities and catering customers, all in an effort to improve market reach. The branded business continued to develop healthily with constant volume growth. Market share increased to 13.4%[2], maintaining its leadership in the industry.

For the export business, the Company continued to adhere to a sales model of "go abroad and bring home (走出去，請進來)". In particular, China Agri invited global traders and end customers to come to China and visit farms, factories, ports to demonstrate the strengths of our integrated value chain and competitiveness. To meet the needs of various overseas markets, the Company increased its product categories according to the results of market research and competition assessment. New markets and new customers were also developed to cope with challenges of weakened purchasing power in certain target markets, both helped to achieve a year-on-year increase in sales volume.

During the year under review, the total sales volume of major products for the Company's rice trading and processing business increased 29.7% year-on-year to 3,389,000 metric tons, and revenue rose by 21.9% year-on-year to HK$15,191.3 million. Within this, the further increased of export sales volume offset the impact of declined domestic sales of non-branded products. The gross profit margin increased by 1.3 percentage point, mainly due to higher capacity utilisation rate and improved operational efficiency. Profitability maintained steady improvement with 7.1% increase in operating profit.

[2] Data source: AC Nielsen, supermarkets of 16 major cities

- Wheat Processing Business:

In 2018, the domestic supply of wheat was sufficient, and prices declined as the minimum purchase price dropped lower than a year ago. The consumption of wheat for food producers declined slightly, resulting in a lower capacity utilisation rate and fierce competition in the processing industry. Leading enterprises accelerated expansion in production capacity and increased their investments in brands and distribution channels in an attempt to offset the pressure. Medium-sized enterprises leveraged grain resources advantage in their local production regions and focused on niche markets in an effort to survive. These two types of development strategies accelerated consolidation within the industry, causing the overall market share of the top ten companies to reach nearly 40%.

In order to attain a more dominant position during the industry consolidation, the Company continued to improve the layout of its wheat processing business' supply chain in both high-quality production and sales regions, and increased its production capacity through acquisitions, construction and leasing. The Company also continued to put efforts on enhancing its supply chain to better respond to key customers, expanding its market share in key segments, and maintaining rapid growth in sales volume of special-purpose flour and capacity utilisation rate.

Based on the continued expansion of the business, the Company took advantage of the growth in the consumer-packaged flour and noodle product markets and continued to promote its branded products with more marketing resources invested. The Company enhanced the service it provided to key premium customers according to their specific needs by optimising the supply chain and providing information system support. It also helped distributors grow bigger and stronger to raise the number of kiloton-level flour distributors. To expand the distribution channels, the Company increased its cooperation with new retail partners through content marketing, advertorials and fun games to drive new consumption. The Company also continued to optimise its product portfolio and adjusted its ways to interact with customers according to market feedback. As a result, the Company achieved a satisfactory level of growth in sales volume of consumer-packaged flour and noodle products.

During the year under review, the sales volume of flour products in the Company's wheat processing business increased by 13.8% year-on-year to 2,860,000 metric tons. The sales volume of noodle products increased by 18.2% year-on-year to 144,000 metric tons. Total revenue was HK$12,855.9 million, an increase of 21.7% year-on-year. The Company's operating efficiency continued to improve as the scale of the business grew. Gross profit margin increased by 1.3 percentage points year-on-year. Operating profit declined 27.9% compared to the year before, mainly due to a substantial increase in marketing expenses for the branded business as the Company was working to generate growth over the long-term.

- Brewing Materials Business:

In 2018, droughts in the world's main production regions globally led to decreased output of barley and pushed up raw material costs. China's beer consumption remained stable while the malt market was difficult to expand. Higher costs pressure could not be fully passed through to product prices, which resulted in a squeeze in profit margins.

The Company's brewing materials business continued to benefit from the cost controls strategy and effective raw material procurement capability to ensure profitability. The sales volume of high-end malts continued to increase and reached a record high as a result of the consumption upgrade in the beer market. With mature supply chain management, the Company was able to maintain a high production utilisation rate and steady comprehensive operation.

In 2018, the sales volume of malt for the Company's brewing materials business decreased by 6.0% year-on-year to 637,000 metric tons. Revenue decreased by 5.5% to HK$2,243.6 million. Gross profit margin remained at a high level. The brewing materials business reported a 63.7% decrease in operating profit after recognition of impairment losses on property, plant and equipment of HK$126.0 million during the year due to cease operation of an under-performing plant in Inner Mongolia.

Outlook

Looking ahead to 2019, the global macro economy will remain complex. Commodity market risk will remain since international trading may face policy changes. The continuing adjustments in monetary policy in developed economies will likely cause exchange rate fluctuations and higher financing costs, which could hinder economic growth and market demand. Even if some business opportunities, such as low material costs and consumption upgrades still exist, the agri-food processing sector will be challenged as the industry consolidation has not been completed.

Against a backdrop of such risks and uncertainties, the Company will continue to leverage its well established business system and rely on its scale and mature integrated operations to respond to market fluctuations, manage major risks and stabilise its business performance. In the meantime, the Company will further develop its branded and high value-added products, improve its sales portfolio, expand revenue streams and increase its profit margins. With the progress of projects such as the review of the option to purchase the oilseed processing assets of Chinatex, the Company's comprehensive processing capacity is expected to continue to grow, boosting market share and enhancing its industry leading position and competitiveness.

FINANCIAL REVIEW

Overview of Financial Results for the Year Ended 31 December 2018

Revenue from Continuing Operations

	2018	2017
	HK$ million	*HK$ million*
Business units of continuing operations:		
Oilseeds processing	**77,946.3**	56,232.4
Rice processing and trading	**15,191.3**	12,465.1
Wheat processing	**12,855.9**	10,563.6
Brewing materials	**2,243.6**	2,374.2
Corporate and others	**584.1**	6,220.8
	108,821.2	87,856.1

In 2018, the Group took advantage of its integrated business operations system, seizing market opportunities to reframe the pace of business. The sales volume of major products such as oil, rice and flour increased significantly over last year. With more investment in marketing, the scale of branded business also expanded year-on-year. As a result, the revenue from continuing operations for the year increased by 23.9% to HK$108,821.2 million as compared to last year.

Gross Profit and Gross Profit Margin

During the year, fixed costs were effectively diluted by further improvements to capacity utilisation and operational efficiency as a result of the increase in sales volume. The branded business continuously grew, contributing to the business performance. For the year ended 31 December 2018, the overall gross profit of the Group rose by 41.9% to HK$9,055.3 million and the gross profit margin increased by 1.0 percentage point to 8.3% as compared to last year.

Selling and Distribution Expenses

During the year, selling and distribution expenses from continuing operations amounted to HK$4,966.5 million, accounting for 4.6% (2017: 3.3%) of the total revenue from continuing operations of the Group and representing a year-on-year increase of 73.8%. On the one hand, due to the completion of the acquisition of consumer-packaged edible oil business in September 2017, only the amounts since the completion of the acquisition were consolidated in 2017 whereas the whole-year amounts were consolidated in 2018; on the other hand, the Group continued to further invest in advertising and promotion for long-term business development and, meanwhile, logistics expenses also increased year-on-year as a result of business scale expansion.

Administrative Expenses

During the year, with continuous efforts to improve quality and increase efficiency, the Group effectively controlled administrative expenses, despite a significant expansion of operation scale over the year; the administrative expenses from continuing operations amounted to HK$1,811.3 million which was relatively stable as compared to last year.

Finance Costs

Resulting from change in monetary policies, such as increases in US dollar interest rates, the average interest rate rose slightly in 2018. The Group's finance costs were HK$691.6 million, up 9.7% year-on-year. An analysis of the finance costs by category is as follows:

	2018	2017
	HK$ million	*HK$ million*
Interest on:		
Bank loans	**633.9**	548.8
Loans from fellow subsidiaries	**62.1**	38.0
Loans from an intermediate holding company	**-**	8.9
Loans from the ultimate holding company	**1.2**	37.3
Total interest expenses on financial liabilities not at fair value through profit or loss	**697.2**	633.0
Less: Interest capitalised	**(5.6)**	(2.4)
	691.6	630.6

Share of Profits and Losses of Associates

Driven by the improved performance of the oilseeds processing business of the associated companies, the share of profits of associates increased by 78.3% to HK$363.8 million as compared with last year.

Profit Attributable to Owners of the Company

In 2018, due to improvement in the scale efficiency of the Group and the rise in the sales volume of the products from a high base level, gross profit increased significantly which helped offset the increase in the investment in market development and the impairment losses of property, plant and equipment arising from the ceased operation of a plant and the shutdown of equipment. The profit attributable to owners of the Company from continuing operations was HK$1,346.1 million, up 3.7% year-on-year from HK$1,297.7 million. However, the profit attributable to owners of the Company for the year declined by 55.8% year-on-year due to the classification of the biochemical and biofuel business as discontinued operation following the completion of the disposal of such business by the Company in 2017.

Final Dividend

The Board recommends a final dividend for the year ended 31 December 2018 of 1.5 HK cents (2017: a final dividend of 0.9 HK cents and a special dividend of 20.0 HK cents) per share, amounting to approximately HK$78.9 million (2017: a final dividend of HK$47.2 million and a special dividend of HK$1,050.0 million). Subject to shareholders' approval at the forthcoming annual general meeting, the final dividend will be paid on or around 19 July 2019 to the shareholders whose names appear on the register of members of the Company on 10 June 2019.

Significant Investments Held and Material Acquisitions and Disposals of Subsidiaries

On 31 August 2018, Oriental Chance Limited, COFCO Oils (HK) No.2 Limited, COFCO Oils & Fats Holdings Limited, wholly-owned subsidiaries of the Company, entered into an equity acquisition master agreement with COFCO International Singapore Pte. Ltd., Great Wall Investments Pte. Ltd., Sino Agri-Trade Pte. Ltd. and H.K. Ming Fat International Oil & Fat Chemical Company Limited, wholly-owned subsidiaries of COFCO International Limited, for acquisition of the entire equity interests of Qinzhou Dayang Cereals and Oils Co., Ltd., Chongqing Xinfu Food Co., Ltd., Longkou Xinlong Edible Oil Co., Ltd. and Ming Fat International Oil & Fat Chemical (Taixing) Co., Ltd. (collectively, the "Target Companies I"). Final aggregate consideration for the acquisition was approximately RMB1,294 million, adjusted from RMB1,341 million. It was paid in US dollars in the amount of approximately US$189.7 million in cash. The Target Companies I consist of four oilseeds processing plants located in Mainland China and are mainly engaged in soybean crushing and refining and trading of soybean oil. This acquisition was approved by the Company's independent shareholders on 2 November 2018 and completed on 7 November 2018. On completion date, the Target Companies I became wholly-owned subsidiaries of the Company.

On 31 August 2018, COFCO (Dongguan) Oils & Grains Industries Co., Ltd., a wholly-owned subsidiary of the Company, entered into the capital increase agreement with COFCO Trading (Guangdong) Co., Ltd., (the "Target Company II") and COFCO Trading Co., Ltd., a wholly-owned subsidiary of COFCO Corporation and was the sole shareholder of the Target Company II as at the date thereof, for the acquisition of 75.264% of the enlarged registered capital of the Target Company II by capital contribution in the amount of RMB620 million to subscribe for the newly increased registered capital of the Target Company II, of which approximately RMB598 million was paid as registered capital and the balance of approximately RMB22 million was credited to its capital reserve. The Target Company II is mainly engaged in warehousing, loading and uploading services of various grains, oilseeds, edible oils and fats, in relation to which the port terminal facilities are still under construction. This capital increase transaction was approved by the Company's independent shareholders on 2 November 2018 and completed on 9 November 2018. On completion date, the Target Company II became a subsidiary of the Company.

Please refer to the Company's announcements dated 31 August 2018, 2 November 2018 and 14 November 2018 and the circular dated 8 October 2018 for details of the abovementioned transactions.

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

Working Capital and Financial Policy

The Group closely monitors the liquidity of daily funding and the availability of financial resources to ensure that cash inflows generated from operating activities together with undrawn banking facilities are sufficient to meet the demands required for day-to-day operations, loan repayments, capital expenditure and potential business expansion opportunities. During the year, the Group's working capital needs 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. The Group aims to raise turnover rate and generate more operating cash flows 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 a financial services agreement with COFCO Finance Co., Ltd. through COFCO Agri-Industries Management Co., Ltd. (a subsidiary of the Company) for the purpose of achieving more efficient deployment and application of funds within the Group so as to reduce the average borrowing costs and better facilitate intra-Group settlement services. During the year, the Group enhanced the liquidity of funds, reduced finance costs and effectively monitored the use of funds through this treasury platform.

Dividend Policy

According to the Company's dividend policy, the declaration, payment and amount of dividends will be subject to the discretion of the Board in accordance with the Hong Kong Companies Ordinance and the articles of association of the Company and will be dependent upon the Group's current and recent financial performance, cash flow position, working capital requirements and expenditure plan, restriction on distribution of dividends under the relevant laws, rules and regulations, and any other factors that the Board deems appropriate.

In determining any dividend amount for a particular year or interim period, the Board will also take into account, inter alia, the consolidated profit attributable to the owners of the Company for the year or period, dividend distributed during the year, and the retained profits available.

Cash and Bank Deposits

Cash and bank deposits (including restricted cash at bank) of the Group were HK$8,318.3 million as at 31 December 2018 (31 December 2017: HK$10,571.8 million). During the year, the Group recorded net cash outflows from operations of approximately HK$882.5 million (2017: net cash inflow 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

Total interest-bearing bank loans and other borrowings amounted to HK$22,190.9 million (31 December 2017: HK$19,181.2 million) as at 31 December 2018. The borrowings were mainly used for the daily operation and business expansion of the Group. These loans are repayable within the following periods:

	31 December 2018	31 December 2017
	HK$ million	*HK$ million*
Within one year or on demand	**22,093.9**	19,007.0
In the second to fifth years, inclusive	**45.6**	108.4
Beyond five years	**51.4**	65.8
	22,190.9	19,181.2

Interest-bearing bank loans carried annual interest rates ranging between 2.80% and 5.22% (31 December 2017: between 1.53% and 4.90%). Other borrowings carried annual interest rates ranging between 1.08% and 4.57% (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 31 December 2018, the Group has pledged property, plant and equipment and land use rights, with an aggregate carrying value of HK$38.1 million (31 December 2017: HK$163.1 million), deposits of HK$526.7 million (31 December 2017: Nil) and bills receivables of HK$159.8 million (31 December 2017: Nil) to secure bank loans and banking facilities.

The Group had no unutilised committed banking facilities as at 31 December 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 31 December 2018 and 31 December 2017 are set out below:

	31 December 2018	31 December 2017
Net gearing ratio (the ratio of net debts to equity attributable to owners of the Company)	**47.9%**	28.8%
Liquidity ratio (the ratio of current assets to current liabilities)	**1.28**	1.38
Quick ratio (the ratio of current assets less inventories to current liabilities)	**0.63**	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$13,872.6 million at 31 December 2018 (31 December 2017: HK$8,609.4 million). The net debt ratio rose mainly due to an increase in loans arising from business scale expansion during the year while the loans remained at a low level in general.

Capital Expenditures

The total capital expenditures of the Group's continuing operations for the year ended 31 December 2018 are tabulated below:

	2018	2017
	HK$ million	*HK$ million*
Business units of continuing operations:		
Oilseeds processing	**1,650.7**	1,397.1
Rice processing and trading	**178.5**	176.0
Wheat processing	**579.5**	114.9
Brewing materials	**80.5**	115.9
Corporate and others	**22.6**	36.8
	2,511.8	1,840.7

Capital Commitments

Capital commitments contracted but not provided for in the Group's consolidated financial statements as at 31 December 2018 are set out below. These commitments are to be financed by loans and working capital of the Group.

	31 December 2018 ***HK$ million***	31 December 2017 *HK$ million*
Contracted, but not provided for:		
Property, plant and equipment	**1,248.7**	247.7

HUMAN RESOURCES

The Group employed 17,646 (31 December 2017: 18,307) staff as at 31 December 2018. The Group's employees are remunerated based on job nature, individual performance and market trends with built-in merit components. Total remuneration (excluding directors' and chief executive's remuneration) for the year ended 31 December 2018 amounted to approximately HK$2,209.8 million (2017: HK$1,939.9 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$212.0 million (2017: HK$176.4 million) for the year.

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 31 December 2018, there were 97,310,000 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.

FINAL DIVIDEND

On 27 March 2019, the Board recommended a final dividend of 1.5 HK cents per ordinary share for the year ended 31 December 2018 (the "2018 Final Dividend") payable to shareholders whose names appear on the register of members of the Company on 10 June 2019 (the "Record Date"). Subject to the approval of the Company's shareholders at the forthcoming annual general meeting (the "AGM"), the 2018 Final Dividend is payable on or around 19 July 2019.

The "Notice Regarding Matters on Determination of Tax Residence Status of Chinese-controlled Offshore Incorporated Enterprises under Rules of Effective Management" was issued by the State Administration of Taxation of PRC (the "SAT") on 22 April 2009 (the "Notice"). The implementation of the Notice commenced on 1 January 2008. In 2013, the Company received the SAT approvals 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. Pursuant to the Notice, the "Enterprise Income Tax Law of the People's Republic of China" (the "Enterprise Income Tax Law") and the "Detailed Rules for the Implementation of the Enterprise Income Tax Law of the People's Republic of China" (the "Implementation Rules"), the Company is required under the laws of the PRC to withhold and pay enterprise income tax for its non-resident enterprise shareholders to whom the Company pays the 2018 Final Dividend. The withholding and payment obligation lies with the Company.

Pursuant to (i) the Notice, (ii) the Enterprise Income Tax Law and the Implementation Rules, and (iii) the SAT approvals, the Company is required to withhold 10% enterprise income tax when it distributes the 2018 Final Dividend to its non-resident enterprise shareholders. In respect of all shareholders whose names appear on the Company's register of members as at the Record Date who are not individuals (including HKSCC Nominees Limited, corporate nominees or trustees such as securities companies and banks, and other entities or organisations, which are all considered as non-resident enterprise shareholders), the Company will distribute the 2018 Final Dividend after deducting enterprise income tax of 10%. The Company will not withhold and pay the income tax in respect of the 2018 Final Dividend payable to any natural person shareholders whose names appear on the Company's register of members on the Record Date.

If any resident enterprise (as defined in the Enterprise Income Tax Law) listed on the Company's register of members which is duly incorporated in the PRC or under the laws of a foreign country (or a region) but with a PRC-based de facto management body, does not desire to have the Company withhold the said 10% enterprise income tax, it should lodge with Tricor Progressive Limited documents from its governing tax authority confirming that the Company is not required to withhold and pay enterprise income tax in respect of the dividend that it is entitled before 4:30 p.m. on 6 June 2019.

Investors should read the above carefully. If anyone would like to change the identity of the holders in the register of members, please enquire about the relevant procedures with the nominees or trustees. The Company will withhold for payment of the enterprise income tax for its non-resident enterprise shareholders strictly in accordance with the relevant laws and requirements of the relevant government departments and adhere strictly to the information set out in the Company's register of members on the Record Date. The Company assumes no liability whatsoever in respect of, and will not entertain any claims arising from, any delay in, or inaccurate determination of, the status of the shareholders or any disputes over the mechanism of withholding.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The AGM of the Company will be held on 31 May 2019. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from 28 May 2019 to 31 May 2019 (both days inclusive), during which period no transfers of shares will be registered. In order to qualify for attending and voting at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar and transfer office, Tricor Progressive Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration by 4:30 p.m. on 27 May 2019.

For determining the entitlement to the 2018 Final Dividend, the register of members of the Company will be closed on 10 June 2019. No transfers of shares will be registered on that date. In order to qualify for the entitlement to the 2018 Final Dividend, all transfer documents accompanied by the relevant share certificates must be lodged by 4:30 p.m. on 6 June 2019 with the aforementioned share registrar and transfer office for registration.

CORPORATE GOVERNANCE CODE

During the year ended 31 December 2018, the Company 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the principal standards of securities transactions for directors of the Company. Each of the directors of the Company have confirmed, following specific enquiry of all the directors by the Company, that they complied with the required standards as set out in the Model Code during the year ended 31 December 2018.

AUDIT COMMITTEE

The Audit Committee has reviewed with the auditor of the Company the consolidated financial statements for the year ended 31 December 2018 and has also discussed auditing, internal control and financial reporting matters including the review of the accounting practices and principles adopted by the Group.

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

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2018.

SCOPE OF WORK OF DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2018 as set out in the preliminary announcement have been agreed by the Company's auditor, Deloitte Touche Tohmatsu, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by the Company's auditor in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Company's auditor on the preliminary announcement.

PUBLICATION OF THE FINAL RESULTS AND ANNUAL REPORT

This results announcement is published on the Company's website *(http://www.chinaagri.com)* and the website of The Stock Exchange of Hong Kong Limited. The 2018 annual report of the Company will be available on the aforementioned websites and despatched to shareholders of the Company before 30 April 2019.

By Order of the Board
China Agri-Industries Holdings Limited
LUAN Richeng
Chairman

Hong Kong, 27 March 2019

As at the date of this announcement, the Board comprises: Mr. LUAN Richeng as chairman of the Board and non-executive director; Mr. WANG Qingrong, Mr. XU Guanghong and Ms. YANG Hong as executive directors; Mr. JIA Peng and Mr. MENG Qingguo as non-executive directors; and Mr. LAM Wai Hon, Ambrose, Mr. Patrick Vincent VIZZONE and Mr. ONG Teck Chye as independent non-executive directors.

This announcement has been issued in the English language with a separate Chinese language translation. If there is any conflict in the announcement between the meaning of Chinese words or terms in the Chinese language version and English words in the English language version, the meaning of the English words shall prevail.