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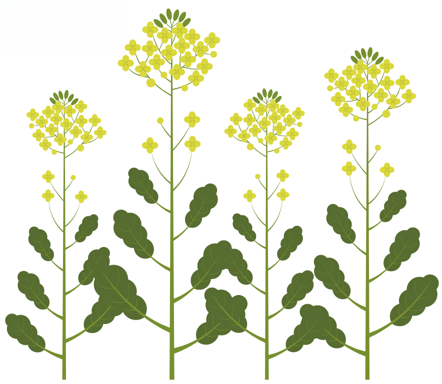
中國糧油控股有限公司
CHINA AGRI-INDUSTRIES HOLDINGS LIMITED
Stock Code 股份代號：606

INTERIM REPORT
2019中期業績報告

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

2019
INTERIM REPORT
中期業績報告



CONTENTS

01 Corporate Information

02 Financial Highlights

03 Management Discussion and Analysis

14 Corporate Governance and Other Information

Unaudited Condensed Consolidated Interim Financial Statements

20 *Report on Review of Condensed Consolidated Financial Statements*

21 *Condensed Consolidated Statement of Profit or Loss*

22 *Condensed Consolidated Statement of Comprehensive Income*

23 *Condensed Consolidated Statement of Financial Position*

25 *Condensed Consolidated Statement of Changes in Equity*

26 *Condensed Consolidated Statement of Cash Flows*

28 *Notes to the Condensed Consolidated Financial Statements*

Corporate Information

Directors

Chairman of the Board and Non-executive Director
LUAN Richeng

Executive Directors
WANG Zhen (Managing Director)
XU Guanghong
HUA Jian

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

LUAN Richeng (Chairman)
LAM Wai Hon, Ambrose
Patrick Vincent VIZZONE
ONG Teck Chye

Executive Committee

WANG Zhen (Chairman)
XU Guanghong
HUA Jian

Company Secretary

LOOK Pui Fan

Auditor

Deloitte Touche Tohmatsu
Certified Public Accountants

Legal Advisor

Reed Smith LLP

Registered Office

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

Share Registrar and Transfer Office

Tricor Progressive Limited
Level 54, 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
China Construction Bank Corporation Limited
DBS Bank Limited
Deutsche Bank
Industrial and Commercial Bank of China Limited
Rabobank International (Hong Kong Branch)
Societe Generale Corporate and Investment Banking
The Sumitomo Trust & Banking Company Limited
United Overseas Bank Limited

Investor Relations

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Stock Code

606

Financial Highlights

For the six months ended 30 June 2019

	Unit	For the period ended 30 June 2019	2018	Increase/ (Decrease)
Revenue:	HK$ million	**59,754.0**	48,320.2	24%
– Oilseeds processing	HK$ million	**42,992.7**	33,224.2	29%
– Rice processing and trading	HK$ million	**9,138.0**	7,438.3	23%
– Wheat processing	HK$ million	**6,191.7**	5,971.4	4%
– Brewing materials	HK$ million	**1,305.9**	1,289.4	1%
– Corporate and others	HK$ million	**125.7**	396.9	(68%)
Profit before tax	HK$ million	**321.5**	1,007.0	(68%)
Operating profit (segment results)	HK$ million	**617.7**	1,109.3	(44%)
Operating profit before depreciation and amortisation	HK$ million	**1,217.8**	1,671.8	(27%)
Operating margin	%	**1.0**	2.3	N/A
Profit attributable to owners of the Company	HK$ million	**448.8**	751.0	(40%)
Earnings per share:				
Basic	HK cents	**8.53**	14.30	(40%)
Diluted	HK cents	**8.53**	14.29	(40%)
Interim dividend per share	HK cents	**1.7**	3.6	(53%)
Closing price per share at period-end	HK$	**2.51**	3.00	(16%)
Market capitalisation at period-end	HK$ million	**13,200.1**	15,775.5	(16%)
Net gearing ratio at period-end	%	**44.0**	44.0	N/A

Management Discussion and Analysis

Business Review

In the first half of 2019, China's GDP reached RMB45 trillion according to preliminary calculation, up 6.3% year-on-year based on comparable price. China's economy has been operating within an expected proper range, and remained stable while making further progress. However, the market fluctuated notably due to the uncertain international trade environment and unfavourable weather conditions in the main material growing regions. The African swine fever epidemic affected the demand of animal feed ingredients for hog breeding industry in China. The competition for branded products' market share became intensive. As a result, the agri-food processing industry faced increasing challenges.

China Agri-Industries Holdings Limited ("China Agri" or the "Company") continued to execute the existing strategy to promote the development of branded business, and address the industry headwinds with its integrated value chain. Leveraging the supplier network, comprehensive production capacity and mature customer channels that have been built up through years of effort, the Company kept expanding business scale. Total sales volume of major products further increased year-on-year, driving a 23.7% rise in revenue to HK$59,754.0 million. The Company's overall capacity utilisation rate also remained high, amid an increase in production capacity. However, adverse factors, such as weak domestic demand for animal feed, led to a year-on-year tightened margin for the oilseeds processing industry, which also affected the performance of the Company's oilseeds processing business. In addition, there was more spending to expand the market of the branded rice and flour products. Profit attributable to owners of the Company for the period was HK$448.8 million, versus HK$751.0 million in the same period of 2018.

Oilseeds Processing Business

In the first half of 2019, the international oilseeds market fluctuated wildly due to the uncertain international trade environment and unstable weather in the main material growing regions, making the industry environment more complex. The overall profitability of the oilseeds processing industry was relatively low, mainly due to sluggish demand for animal feed because of the epidemic in the domestic hog breeding industry.

In spite of such a fluctuating market environment, the Company's oilseeds processing business continued to benefit from its integrated value chain. The business team leveraged its raw material procurement system to keep track the changes in the market closely, appropriately adjust the sources of procurement and ensure a stable and sustainable supply of raw material. In the meantime, by leveraging its business capability in each link of value chain, the Company expanded income sources through various channels to offset the negative impact of weak demand. As a result, the Company achieved a year-on-year increase in sales volume and value (including the business reflected under the heading of "information about the major customer" under note 3 of the condensed consolidated financial statements). The oilseeds processing business has proactively taken measures to improve operational quality and efficiency, reduce operating costs and increase the effectiveness of spending. Nevertheless, sluggish demand limited the cost pass-through ability of products such as oilseed meal. Against a volatile market backdrop, the Company recorded a significant year-on-year decline in gross margin and significant drop in profit.

During the period under review, the Company continued to make progress in its branded edible oil business by increasing its sales volume and market share among both retail and catering customers. In terms of branding, the Company selected suitable media, such as local satellite TV, hypermarkets and media display screens in lifts, to reach the target group of small-packaged products according to customer surveys to improve the effectiveness and precision of advertisement. With over 35,000 offline promotional activities, over 1,600 local communities' campaigns and 40 roadshows during the period under review, the Company enhanced its connection with consumers to effectively improve sales conversion rate. Meanwhile, the Company actively developed its mid-packaged edible oil business to seize the market opportunity of fast-growing demand of the catering and restaurants. By leveraging its advantages in production capacity, products portfolio and branding, sales volume rapidly grew via classified distributor management, flagship store establishment and product promotion. During the period under review, the Company recorded total sales volume of 1.055 million metric tons of branded edible oil[1], representing a 13.9% year-on-year increase.

1 *Branded edible oil includes small-packaged oil for retail customers and mid-packaged oil for catering customers.*

Management Discussion and Analysis

During the first half of 2019, the oilseeds processing business sold 5.293 million metric tons of oilseed meals and 3.070 million metric tons of vegetable oil, 17.4% and 26.0% increases, respectively, from a high base for the same period last year. Revenue rose by 29.4% year-on-year to HK$42,992.7 million. Operating profit was HK$113.8 million, compared with HK$644.0 million in the same period of 2018.

Rice Processing and Trading Business

Since 2019, China has faced an oversupply of paddy and falling average prices for different rice varieties compared with the previous year, which brought down material costs. Although the food consumption of rice has been shrinking, demand for mid-to-high end and premium rice has been climbing steadily, driving the industry towards more branding and refined businesses. Large-scale companies continued to sharpen their edges in production capacity, utilisation rate and market share, driving the market to further consolidate and helping leading players to maintain healthy margins despite the fierce competition.

During the period under review, with more resources put into branded business, the rice processing and trading business achieved encouraging positive outcomes in both brand promotion and featured product development. During the Spring Festival sales season, the Company kicked off a promotional campaign with the theme "Taking Fortune Home with You for the Spring Festival (福臨門陪您回家過年)", bringing the "Fortune (福临门)" brand closer to consumers. As the key new product, the Company has continued to push the marketing of "Fortune Jintian Rice (福临门金田米)" since it was launched at the end of last year. With an integrated online and offline marketing slogan "Fortune Jintian Rice, Good Rice from Good Growing Regions (福臨門金田米，產地好大米好)", awareness of the product has been effectively spread within customers. In addition, the Company organised the 2019 China Agri Fortune Paddy Ploughing Culture Festival (中糧福臨門2019年水稻開耕文化節) in Hulin City of Heilongjiang Province, one of the best high-quality rice growing regions in China, to further promote the provenance of "Fortune Jintian Rice (福临门金田米)" and strengthen its brand recognition. The Company also participated in the 100th China National Food and Drinks Fair (第100屆全國糖酒商品交易會) in Chengdu City to demonstrate the strength of its products and brands, which also helped to draw more attention from the market. During the period under review, the Company's increased sales expenses helped further sales growth of branded rice products. The market share for the Company's branded rice business was approximately 12.9%[2], retaining the leading position in the industry.

[2] *Data source: AC Nielsen, hypermarkets of 16 major cities.*

The Company leveraged its well-established business system and actively grew the scale of its import/export business to generate new growth drivers. As a result, the sales volume increased significantly year-on-year and the capacity utilisation rate remained stable at high level. By closely controlling the integrated value chain, China Agri was able to deliver reliable and stable product quality as well as record high delivery efficiency, which reinforced a premium corporate image in the international market. The Company currently exports products to customers in over 70 countries and regions.

During the period under review, with strong support from the Company's international trade business system, total sales volume of major products for the rice trading and processing business increased 34.7% year-on-year to 2.100 million metric tons, and revenue rose 22.9% year-on-year to HK$9,138.0 million. The gross profit margin was declined slightly year-on-year, which remained at a relatively high level. Due to a continual increase in marketing expenses for branded products, operating profit declined to HK$331.4 million compared with the same period last year.

Wheat Processing Business

Since the start of 2019, the domestic supply of wheat has been sufficient, which has reduced the cost of raw materials. Driven by the increasing demand for special-purpose and branded flour products, market leaders have continued to gain more market share. However, the capacity utilisation rate across the sector has been inadequate, which put pressures on profitability. Against a backdrop of declining bran prices, the profit margin of the entire industry has been further squeezed.

As one of the market leaders, the Company has been actively implementing its strategic plan to boost the scale of the wheat processing capacity. After the completion of the acquisitions to extend footprint in high-quality material growing regions in last year, the Company made another acquisition in Tianjin City during the period under review to achieve more than 20% growth in wheat processing capacity. As a result, this effectively improved the Company's coverage and capacity in the key Beijing-Tianjin-Hebei market, laying a solid foundation for further sales growth. Moreover, with the support of technology, the wheat processing business successfully developed 26 new flour products, 10 new noodle products, and 2 high-end baking flour to meet the market demand. Product portfolio became more complete, which helped boost the Company's sales performance.

Focusing on high-quality development, the Company further increased its investment in the branded flour business with multi-channel synergies in an effort to drive the sales volume of major products. The Company concentrated its efforts on expanding the coverage of its branded flour products in supermarkets to improve its penetration rate. It also incentivised distributors to sell high margin products in order to support sales growth. Furthermore, the Company cooperated with several important ecommerce platforms to conduct new product interactive marketing campaigns and joint promotion of rice and flour products to increase potential customer base. With the support of the marketing programs, the Company has accumulated 33,000 more sales outlets, helping to deliver faster year-on-year growth in sales volume of branded flour products.

During the period under review, the sales volume of flour products in the Company's wheat processing business increased by 12.9% year-on-year to 1.481 million metric tons. Revenue was HK$6,191.7 million, an increase of 3.7% year-on-year. The gross profit margin was relatively stable year-on-year. Due to the increase in marketing expenses for branded products, operating profit decreased to HK$61.1 million.

Brewing Materials Business

In the first half of 2019, brewing material market and supply were affected by abnormal weather conditions in the major barley growing regions of the world and changes in the international trade environment, which brought more challenges to the business. Factors such as a delayed summer led to sluggish demand for beer, which negatively affected the domestic demand for malt. In addition, raw material suppliers for beer faced greater sales pressure due to the high inventory among customers.

The Company analysed the supply and demand of alternative suppliers to actively respond to policy changes of the major material supply country. By making alternate plans and managing risks, the Company managed to secure a relatively stable supply of raw materials, and thus mitigate the pressure of rising costs. Supported by its technical capabilities, the Company followed the trends in the high-end and craft beer markets to further upgrade its products portfolio and mitigate the challenges of weak demand to maintain sales volume. With effective management, the Company maintained high capacity utilisation, effectively controlled the production costs and various expenses, keeping profit and return at a high level.

During the period under review, the sales volume of malt for the Company's brewing materials business decreased slightly by 1.9% year-on-year to 358,000 metric tons. Revenue, supported by rising product prices, increased by 1.3% year-on-year to HK$1,306.0 million. Gross profit margin declined slightly year-on-year. Operating profit, increased significantly year-on-year to HK$120.0 million due to the lower base in 2018, which mainly owing to the cessation of operations of a plant in Inner Mongolia, which resulted in the recognition of impairment losses on property, plant and equipment of HK$128.5 million in last year.

Outlook

Looking ahead to the second half of the year, the international trade environment and commodity markets will remain complex, which may still posing challenges to the operation. The Company will continue to focus on its branded business strategically. By deepening the cooperation with the upstream and downstream value chains, enhancing coordination across product categories and improving effectiveness of spending, China Agri will keep expanding the business scale of branded oil, rice and flour products. With more efforts put on lean management and cost savings, the Company will improve the operational efficiency of newly-expanded capacity to match the growth in sales volume and market share, enhancing its industry leading position and competitiveness.

Management Discussion and Analysis

Financial Review

Overview of Financial Results for the Six Months Ended 30 June 2019

Revenue

	For the six months ended 30 June	
	2019	**2018**
	HK$ million	**HK$ million**
Business units:		
Oilseeds processing	**42,992.7**	33,224.2
Rice processing and trading	**9,138.0**	7,438.3
Wheat processing	**6,191.7**	5,971.4
Brewing materials	**1,305.9**	1,289.4
Corporate and others	**125.7**	396.9
	59,754.0	48,320.2

For the six months ended 30 June 2019, the Group continuously cultivated new markets, promoted its branded business and expanded its business scale. Sales volume of major products, particularly in edible oil, rice and flour, grew year-on-year, maintaining the overall capacity utilisation rate at a high level. The revenue of the Group during the period increased by 23.7% to HK$59,754.0 million from a year earlier.

Gross Profit and Gross Profit Margin

During the period, the breeding industry witnessed falling hog stocks mainly due to the impact of the African swine fever, resulting in a weaker demand and lower overall market prices of soybean meals and other materials for animal feeds and a narrower average profit margin of domestic oilseeds processing industry. Under pressure from these factors, the overall gross profit of the Group declined by 16.3% to 3,658.3 million and gross profit margin dropped by 2.9 percentage points to 6.1% as compared with the corresponding period in 2018.

Selling and Distribution Expenses

During the period, due to an increase in logistic expenses owing to larger sales volume and an investment in marketing expenses for the branded business, the selling and distribution expenses of the Group were HK$2,390.2 million (six months ended 30 June 2018: HK$2,230.0 million), accounting for 4.0% of the Group's revenue (six months ended 30 June 2018: 4.6%) and representing a year-on-year increase of 7.2%.

Administrative Expenses

During the period, the Group's administrative expenses decreased by 24.7% year-on-year to HK$723.4 million due to adjustments to performance based remuneration for employees and continual improvement on operational quality and efficiency.

Finance Costs

During the period, the average interest rate of US Dollar ("USD") loans of the Group increased year-on-year as a result of increases in interest rate of USD in 2018, and the average size of trade finance slightly increased as compared with corresponding period last year. The finance costs of the Group were HK$379.8 million (six months ended 30 June 2018: HK$302.7 million), up 25.5% 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	
	2019 **HK$ million**	**2018** **HK$ million**
Interest on loans:		
Bank loans	**299.0**	274.2
Loans from fellow subsidiaries	**75.9**	29.4
Loans from the ultimate holding company	**2.3**	0.6
Loans from non-controlling shareholders of subsidiaries	**0.2**	–
	377.4	304.2
Interest on lease liabilities:		
Lease liabilities due to third parties	**2.0**	–
Lease liabilities due to the ultimate holding company	**1.3**	–
Lease liabilities due to fellow subsidiaries	**1.0**	–
	4.3	–
Total interest expenses on financial liabilities not at fair value through profit or loss	**381.7**	304.2
Less: Interest capitalised	**(1.9)**	(1.5)
	379.8	302.7

Profit Attributable to Owners of the Company

During the period, the Group continued to implement its existing strategies and promoted its branded business. The sales volume of major products grew. However, the weaker demand on animal feeds affected the business performance of the oilseeds processing business of the Group and selling and distribution expenses increased as compared with the corresponding period last year, leading to a year-on-year decline in profit attributable to owners of the Company during the period to HK$448.8 million.

Interim Dividend

The Board has declared the payment of an interim dividend of 1.7 HK cents (six months ended 30 June 2018: 3.6 HK cents) per share for the six months ended 30 June 2019. This interim dividend will be payable on or around 31 October 2019 to shareholders whose names appear on the register of members of the Company on 16 September 2019.

Management Discussion and Analysis

Significant Investments Held and Material Acquisitions and Disposals of Subsidiaries

On 13 March 2019, COFCO Rice (HK) No.6 Limited ("Rice No.6"), a wholly-owned subsidiary of the Company, and COFCO Corporation ("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 made a capital increase in an amount of approximately RMB87,609,000 and approximately RMB12,253,000 in Shenyang Rice, respectively. The capital increase of Rice No.6 was 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 remain the same, and Shenyang Rice is still being held as to 87.73% by Rice No.6 and 12.27% by COFCO. The capital increase transaction was completed on 24 April 2019.

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 made a capital increase in an amount of RMB17,846,000 and RMB2,154,000 in Yancheng Rice, respectively. The capital increase of Rice No.2 was 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 remain the same, and Yancheng Rice is still being held as to 89.23% by Rice No.2 and 10.77% by COFCO. The capital increase transaction was completed on 15 April 2019.

Please refer to the Company's announcements dated 13 March 2019 for the 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 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 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 Group has 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.

Cash and Bank Deposits

Cash and bank deposits (including restricted cash at bank) of the Group were HK$5,632.6 million as at 30 June 2019 (31 December 2018: HK$8,318.3 million). During the period, the Group recorded net cash inflows from operations of approximately HK$2,565.5 million (year ended 31 December 2018: net cash outflows of HK$882.5 million). These liquid funds were mainly denominated in Hong Kong dollars, Renminbi and USD.

Bank Loans and Other Borrowings

Total interest-bearing bank loans and other borrowings amounted to HK$18,499.9 million (31 December 2018: HK$22,190.9 million) as at 30 June 2019. 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 2019 HK$ million	31 December 2018 HK$ million
Within one year or on demand	**18,408.9**	22,093.9
In the second to fifth years, inclusive	**45.5**	45.6
Beyond five years	**45.5**	51.4
	18,499.9	22,190.9

Interest-bearing bank loans carried annual interest rates ranging between 2.77% and 5.22% (31 December 2018: between 2.80% and 5.22%). Other borrowings carried annual interest rates ranging between 1.08% and 4.57% (31 December 2018: between 1.08% and 4.57%). These interest-bearing bank loans and other borrowings were mainly denominated in Hong Kong dollars, Renminbi and USD.

As at 30 June 2019, the Group has pledged property, plant and equipment and land use rights, with an aggregate carrying value of HK$103.9 million (31 December 2018: HK$38.1 million), deposits of HK$317.9 million (31 December 2018: HK$526.7 million) and no bills receivables (31 December 2018: HK$159.8 million) to secure bank loans and banking facilities.

The Group had no unutilised committed banking facilities as at 30 June 2019 and 31 December 2018. 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 2019 and 31 December 2018 are set out below:

	30 June 2019	31 December 2018
Net gearing ratio (the ratio of net debts to equity attributable to owners of the Company)	**44.0%**	47.9%
Liquidity ratio (the ratio of current assets to current liabilities)	**1.31**	1.28
Quick ratio (the ratio of current assets less inventories to current liabilities)	**0.55**	0.63

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$12,867.3 million at 30 June 2019 (31 December 2018: HK$13,872.6 million).

Capital Expenditures

The total capital expenditures of the Group for the period ended 30 June 2019 are tabulated below:

	For the six months ended 30 June	
	2019 HK$ million	**2018 HK$ million**
Business units:		
Oilseeds processing	**430.4**	207.5
Rice processing and trading	**250.9**	54.0
Wheat processing	**1,310.6**	73.6
Brewing materials	**37.4**	41.0
Corporate and others	**32.2**	9.3
	2,061.5	385.4

Capital Commitments

Capital commitments contracted but not provided for in the Group's condensed consolidated interim financial statements as at 30 June 2019 are set out below. These commitments are to be financed by loans and working capital of the Group.

	30 June 2019 HK$ million	**31 December 2018 HK$ million**
Capital commitments in respect of property, plant and equipment:		
Contracted, but not provided for	**1,489.7**	1,248.7

Human Resources

The Group employed 18,011 (31 December 2018: 17,646) staff as at 30 June 2019. The Group's employees are remunerated based on job nature, performance assessment result and market trends with built-in merit components. Total remuneration (including directors' and chief executive's remuneration) for the period ended 30 June 2019 amounted to approximately HK$1,048.8 million (six months ended 30 June 2018: HK$1,254.9 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$104.6 million (six months ended 30 June 2018: HK$98.9 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 2019, there were 94,340,000 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:

Share options granted on 4 December 2015

Category of participants	Date of grant (dd-mm-yyyy)	Exercise price per share (HK$)	Vesting date (dd-mm-yyyy)	Exercise period (dd-mm-yyyy)	Number of share options: At 1 January 2019	Exercised	Lapsed	At 30 June 2019
(A) Directors								
XU Guanghong	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
HUA Jian	4-12-2015	2.85	4-12-2017	4-12-2017 to 3-12-2020	330,000	–	–	330,000
			4-12-2018	4-12-2018 to 3-12-2020	330,000	–	–	330,000
			4-12-2019	4-12-2019 to 3-12-2020	340,000	–	–	340,000
					1,000,000	–	–	1,000,000
(B) Employees	4-12-2015	2.85	4-12-2017	4-12-2017 to 3-12-2020	31,488,600	99,000	881,100	30,508,500
			4-12-2018	4-12-2018 to 3-12-2020	31,488,600	99,000	881,100	30,508,500
			4-12-2019	4-12-2019 to 3-12-2020	32,442,800	–	1,009,800	31,433,000
					95,420,000	198,000	2,772,000	92,450,000
	Total				97,310,000	198,000	2,772,000	94,340,000

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. *The weighted average closing price of the shares of the Company immediately before the dates on which the options were exercised was HK$2.99.*

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

Corporate Governance and Other Information

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

As at 30 June 2019, 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)*
XU Guanghong	Beneficial owner	–	890,000	0.02%
HUA Jian	Beneficial owner	267,000	1,000,000	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 2019, being 5,258,985,388 shares.*

Interests in Shares of Associated Corporation

Name	Name of associated corporation	Capacity	Number of shares held in long position	Percentage *(Note 1)*
HUA Jian	China Foods Limited	Beneficial owner	6,000	0.00%

Note:

1. *The percentage of interests is calculated based on the total number of ordinary shares of China Foods Limited in issue as at 30 June 2019, being 2,797,223,396 shares.*

Save as disclosed above, as at 30 June 2019, 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 2019, 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	50.985%
COFCO (Hong Kong) Limited	Beneficial owner	366,824,827	6.975%
	Interest of controlled corporations (Note 3)	2,681,315,430	50.985%
COFCO Corporation	Interest of controlled corporations (Note 4)	3,048,140,257	57.960%

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 2019, being 5,258,985,388 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 2019, 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 2019, 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 2019.

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 2019, the Company has not received any non-compliance report from any of such employees.

Corporate Governance and Other Information

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 2019, 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 Listing Rules, except for a deviation from the code provision E.1.2. The code provision E.1.2 provides that the chairman of the board should attend the annual general meeting. Mr. Luan Richeng, the chairman of the Board, was unable to attend the annual general meeting of the Company held on 31 May 2019 due to other business engagement. Mr. Wang Zhen, an executive director and the managing director of the Company, took the chair of the annual general meeting and all other chairmen of Board committees attended the meeting.

Directors Re-elected at the Annual General Meeting

At the 2019 annual general meeting of the Company, the Company re-elected Mr. Wang Zhen, Mr. Xu Guanghong and Ms. Hua Jian as executive directors, Mr. Luan Richeng and Mr. Meng Qingguo as non-executive directors, and Mr. Lam Wai Hon Ambrose and Mr. Ong Teck Chye as independent non-executive directors. Please refer to Appendix II to the Company's circular dated 25 April 2019 for their biographies and other information.

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

Changes in the biographical details of the directors since the publication of the 2018 annual report and/or the circular dated 25 April 2019 are set out below:

Mr. Lam Wai Hon Ambrose, an independent non-executive director of the Company, has been appointed as an independent non-executive director of Playmates Toys Limited (a company listed on the main board of the Stock Exchange) with effect from 12 August 2019.

Review of Interim Results

The unaudited condensed consolidated interim financial statements of the Company for the six months ended 30 June 2019 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 2019 of 1.7 HK cents (six months ended 30 June 2018: 3.6 HK cents) per share, payable on or around 31 October 2019 to shareholders whose names appear on the register of members of the Company on 16 September 2019. 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 16 September 2019. 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 2019.

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 during the first half of 2019 through organising various investor relations activities. A total of 19 one-on-one discussions, group meetings and conference calls were held to address investors' concerns. The Company also held post-annual-results analyst briefing 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 conferences participated in the first half of 2019:

7 January 2019	UBS – 19th Greater China Conference
15 May 2019	Daiwa – Consumer & Gaming Corporate Day
10 June 2019	UBS – Asian Consumer, Gaming & Leisure Conference 2019

The Company reviews shareholding structure regularly to understand the shareholders base. As at 30 June 2019, 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 interests and shareholding of mainland investors to maintain the diversity and balance of shareholding structure. Their holding was 4.4% of total issued shares at the end of June 2019.

The Company remains a constituent of several influential indexes due to the capital market recognition, including the MSCI Indexes such as MSCI AC Asia Pacific Index series, MSCI ACWI Index series, MSCI Emerging Markets Index series, MSCI AC Asia Pacific Consumer Staples Index, MSCI China Index, MSCI China ESG Universal 5% Issuer Capped Index, MSCI China Free Index, MSCI MPF Golden Dragon Index, MSCI ACWI ESG Universal 5% Issuer Capped 100% Hedged to GBP Index, and MSCI ACWI Socially Responsible Index. For the benchmark index series of Hong Kong, the Company is also honoured to have been selected as a constituent since IPO, such as Hang Seng Composite Index series, Hang Seng SCHK ex-AH Companies Index, Hang Seng SCHK Mainland China Companies Index, Hang Seng Stock Connect Hong Kong Index, Hang Seng Stock Connect Hong Kong MidCap & SmallCap Index and Hang Seng Consumer Goods & Services 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 set out on pages 21 to 57, which comprise the condensed consolidated statement of financial position as of 30 June 2019 and the related condensed consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and 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 ("HKICPA"). 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 HKICPA. 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

28 August 2019

Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2019

	Notes	For the six months ended 30 June **2019** **HK$'000** **(Unaudited)**	 2018 HK$'000 (Unaudited)
REVENUE	4	**59,754,034**	48,320,171
Cost of sales		**(56,095,748)**	(43,950,729)
Gross profit		**3,658,286**	4,369,442
Other income and gains	4	**266,350**	252,614
Selling and distribution expenses		**(2,390,218)**	(2,229,971)
Administrative expenses		**(723,449)**	(961,305)
Other expenses		**(129,438)**	(246,086)
Finance costs	5	**(379,789)**	(302,699)
Share of profits and losses of associates		**19,721**	125,024
Profit before tax	6	**321,463**	1,007,019
Income tax	7	**79,131**	(6,731)
Profit for the period		**400,594**	1,000,288
Attributable to:			
Owners of the Company		**448,827**	751,020
Non-controlling interests		**(48,233)**	249,268
		400,594	1,000,288
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	10		
Basic		**8.53 HK cents**	14.30 HK cents
Diluted		**8.53 HK cents**	14.29 HK cents

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2019

	For the six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Profit for the period	**400,594**	1,000,288
Other comprehensive loss that may be reclassified to profit or loss in subsequent period:		
Exchange difference on translation of foreign operations	**(131,226)**	(223,997)
Total comprehensive income for the period	**269,368**	776,291
Attributable to:		
Owners of the Company	**344,018**	564,098
Non-controlling interests	**(74,650)**	212,193
	269,368	776,291

Condensed Consolidated Statement of Financial Position

At 30 June 2019

	Notes	30 June 2019 HK$'000 (Unaudited)	31 December 2018 HK$'000 (Audited)
Non-current Assets			
Property, plant and equipment	11	**18,024,518**	16,921,331
Right-of-use assets	11	**2,437,518**	–
Prepaid lease payments		**–**	2,137,675
Deposits for purchases of items of property, plant and equipment		**210,663**	143,771
Goodwill		**1,519,833**	1,518,670
Investments in associates		**2,332,067**	2,294,206
Equity instruments at fair value through other comprehensive income		**28,069**	28,066
Intangible assets		**600,437**	612,338
Deferred tax assets		**947,725**	792,674
Total non-current assets		**26,100,830**	24,448,731
Current Assets			
Inventories		**22,965,403**	23,314,434
Accounts and bills receivables	12	**3,250,384**	4,102,926
Prepayments, deposits and other receivables		**4,706,928**	4,612,215
Other receivables due from Sinograin	13	**–**	52,183
Financial assets at fair value through profit or loss		**225,882**	186,365
Due from fellow subsidiaries		**2,721,811**	5,446,633
Due from related companies		**11,172**	31,372
Due from the ultimate holding company		**129,664**	21,150
Due from non-controlling shareholders of subsidiaries		**32,659**	1,505
Due from associates		**31,313**	20,979
Tax recoverable		**194,799**	9,030
Restricted cash at bank		**548,636**	921,327
Cash and cash equivalents		**5,083,956**	7,396,978
Total current assets		**39,902,607**	46,117,097

Condensed Consolidated Statement of Financial Position (continued)

At 30 June 2019

	Notes	30 June 2019 HK$'000 (Unaudited)	31 December 2018 HK$'000 (Audited)
Current Liabilities			
Accounts and bills payables	14	**3,793,100**	3,003,744
Other payables and accruals		**3,606,773**	4,799,785
Other financial liabilities		**173,727**	45,682
Lease liabilities		**74,601**	–
Interest-bearing bank and other borrowings		**18,408,960**	22,093,866
Bank borrowings due to ADBC	13	**–**	52,183
Due to fellow subsidiaries		**2,203,071**	2,362,822
Due to related companies		**9,474**	10,566
Due to the ultimate holding company		**160,841**	177,769
Due to the immediate holding company	17	**40,220**	–
Due to the intermediate holding company		**5,472**	–
Due to associates		**15,189**	9,425
Due to non-controlling shareholders of subsidiaries		**6,890**	11,058
Contract liabilities		**1,947,591**	3,079,307
Tax payable		**51,399**	272,942
Deferred income		**53,589**	30,366
Total current liabilities		**30,550,897**	35,949,515
Net Current Assets		**9,351,710**	10,167,582
Total Assets less Current Liabilities		**35,452,540**	34,616,313
Non-current Liabilities			
Interest-bearing bank and other borrowings		**90,944**	97,010
Lease liabilities		**116,075**	–
Due to the ultimate holding company		**120,865**	69,836
Due to non-controlling shareholders of subsidiaries	17	**198,489**	198,803
Deferred income		**656,952**	643,141
Deferred tax liabilities		**387,591**	387,033
Other non-current liabilities		**40,295**	24,561
Total non-current liabilities		**1,611,211**	1,420,384
Net Assets		**33,841,329**	33,195,929
Equity			
Equity attributable to owners of the Company			
Share capital	15	**9,797,612**	9,797,048
Other reserves		**19,434,506**	19,166,147
		29,232,118	28,963,195
Non-controlling interests		**4,609,211**	4,232,734
Total Equity		**33,841,329**	33,195,929

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2019

		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 2019		**9,797,048**	**4,894,122***	**74,902***	**1,667,622***	**392,001***	**12,137,500***	**28,963,195**	**4,232,734**	**33,195,929**
Total comprehensive income for the period		**–**	**–**	**–**	**–**	**(104,809)**	**448,827**	**344,018**	**(74,650)**	**269,368**
Acquisition of a subsidiary	8	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**434,727**	**434,727**
Exercise of share options	15	**564**	**–**	**(148)**	**–**	**–**	**148**	**564**	**–**	**564**
Equity-settled share option arrangements	16	**–**	**–**	**3,226**	**–**	**–**	**–**	**3,226**	**–**	**3,226**
Final 2018 dividend declared		**–**	**–**	**–**	**–**	**–**	**(78,885)**	**(78,885)**	**–**	**(78,885)**
Contribution from non-controlling shareholders of subsidiaries		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**16,400**	**16,400**
Others		**–**	**–**	**–**	**(590)**	**–**	**590**	**–**	**–**	**–**
At 30 June 2019		**9,797,612**	**4,894,122***	**77,980***	**1,667,032***	**287,192***	**12,508,180***	**29,232,118**	**4,609,211**	**33,841,329**

		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 subsidiaries		–	–	–	–	–	–	–	39,451	39,451
Transfer from retained profits		–	–	–	15,562	–	(15,562)	–	–	–
Exercise of share options		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

* *These reserve accounts comprise the consolidated other reserves of HK$19,434,506,000 (31 December 2018: HK$19,166,147,000) in the condensed consolidated statement of financial position.*

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2019

	For the six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	**321,463**	1,007,019
Adjustments for:		
Finance costs	**379,789**	302,699
Provision for inventories	**62,349**	497,082
Provision for loss on non-cancellable purchase commitments	**73,539**	859,385
(Gain)/loss on disposal of items of property, plant and equipment	**(5,769)**	636
Impairment of items of property, plant and equipment	**–**	128,491
Depreciation and amortisation	**600,096**	536,148
Recognition of prepaid lease payments	**–**	26,396
Share of profits and losses of associates	**(19,721)**	(125,024)
Interest income	**(63,821)**	(75,400)
Unrealised gain on derivative financial instruments	**(62,164)**	(474,317)
Government grants	**(70,555)**	(48,921)
Equity-settled share option expense	**3,226**	(656)
Others	**119**	(23,109)
Operating cash flows before movements in working capital	**1,218,551**	2,610,429
Decrease/(increase) in inventories	**312,530**	(2,001,679)
Decrease/(increase) in accounts and bills receivables	**866,352**	(87,939)
Increase in prepayments, deposits and other receivables	**(50,220)**	(694,889)
Decrease/(increase) in amounts due from fellow subsidiaries	**2,786,832**	(1,868,717)
(Increase)/decrease in amounts due from associates	**(10,436)**	48,713
Decrease in amounts due from related companies	**20,118**	88,406
Increase in amounts due from the ultimate holding company	**(108,810)**	(207,177)
Decrease/(increase) in derivative financial instruments	**150,455**	(531,060)
Increase in accounts and bills payables	**729,629**	15,601
(Decrease)/increase in contract liabilities	**(1,142,752)**	524,922
Decrease in other payables and accruals	**(1,325,067)**	(1,003,264)
(Decrease)/increase in amounts due to fellow subsidiaries	**(145,151)**	360,364
Government grants received	**50,597**	37,033
Others	**2,107**	(89,700)
Cash from/(used in) operations	**3,354,735**	(2,798,957)
Interest received	**66,865**	68,597
Interest paid	**(372,189)**	(295,260)
Income tax paid	**(483,944)**	(591,259)
Net cash flows from/(used in) operating activities	**2,565,467**	(3,616,879)

Condensed Consolidated Statement of Cash Flows (continued)

For the six months ended 30 June 2019

	For the six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
CASH FLOWS FROM INVESTING ACTIVITIES		
Placement of restricted cash at bank	**(13,598)**	(8,344)
Withdrawal of restricted cash at bank	**384,582**	–
Proceeds from disposal of items of property, plant and equipment and intangible assets	**22,104**	14,996
Purchases of items of property, plant and equipment	**(701,455)**	(396,084)
Acquisition of subsidiaries	**(613,978)**	27,335
Proceeds from disposal of associates	**–**	17,753
Payments for right-of-use assets	**(12,536)**	–
Receipts of government grants	**59,736**	1,359
Others	**(292)**	(17,867)
Net cash flows used in investing activities	**(875,437)**	(360,852)
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank loans	**21,064,864**	23,377,689
New other loans	**2,023,461**	1,711,153
Repayments of bank loans	**(20,731,364)**	(19,689,091)
Repayments of other loans	**(6,315,590)**	(730,188)
Repayments of leases liabilities	**(40,174)**	–
Dividends paid to non-controlling shareholders of subsidiaries	**–**	(438,351)
Exercise of share options	**564**	24,586
Contribution from non-controlling shareholders of subsidiaries	**16,400**	–
Others	**–**	(1,575)
Net cash flows (used in)/from financing activities	**(3,981,839)**	4,254,223
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(2,291,809)**	276,492
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**7,396,978**	10,571,797
Effect of foreign exchange rate changes, net	**(21,213)**	(30,710)
CASH AND CASH EQUIVALENTS AT 30 JUNE, represented by		
Cash and cash equivalents	**5,083,956**	10,817,579

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

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* 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 financial information relating to the year ended 31 December 2018 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 2018 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.

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, as appropriate.

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 2019 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2018.

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 2019 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 16	*Leases*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
Amendments to HKFRSs	*Annual Improvements to HKFRSs 2015-2017 Cycle*

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

2.3 IMPACTS AND CHANGES IN ACCOUNTING POLICIES OF APPLICATION ON HKFRS 16 LEASES

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 *Leases* ("HKAS 17"), and the related interpretations.

2.3.1 Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

2.3 IMPACTS AND CHANGES IN ACCOUNTING POLICIES OF APPLICATION ON HKFRS 16 LEASES (continued)

2.3.1 Key changes in accounting policies resulting from application of HKFRS 16 (continued)

As a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

Except for short term leases and leases of low value assets, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

2.3 IMPACTS AND CHANGES IN ACCOUNTING POLICIES OF APPLICATION ON HKFRS 16 LEASES (continued)

2.3.1 Key changes in accounting policies resulting from application of HKFRS 16 (continued)

As a lessee (continued)

Leasehold land and building

For payments of a property interest which includes both leasehold land and building elements, the entire property is presented as property, plant and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 *Financial Instruments* ("HKFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that reflect changes in market rental rates are initially measured using the market rental rates as at the commencement date. Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets, and are recognised as expense in the period on which the event or condition that triggers the payment occurs.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in an index or a rate used to determine those payments/expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

2.3 IMPACTS AND CHANGES IN ACCOUNTING POLICIES OF APPLICATION ON HKFRS 16 LEASES (continued)

2.3.1 Key changes in accounting policies resulting from application of HKFRS 16 (continued)

As a lessee (continued)

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

The Group applies HKAS 12 *Income Taxes* requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

As a lessor

Allocation of consideration to components of a contract

Effective on 1 January 2019, the Group applies HKFRS 15 *Revenue from Contracts with Customers* ("HKFRS 15") to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

Refundable rental deposits received are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Lease modification

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

2.3 IMPACTS AND CHANGES IN ACCOUNTING POLICIES OF APPLICATION ON HKFRS 16 LEASES (continued)

2.3.2 Transition and summary of effects arising from initial application of HKFRS 16

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standards to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. relied on the assessment of whether leases are onerous by applying HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* as an alternative of impairment review;

ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and

iv. applied a single discount rate to a portfolio of leases with a similar remaining lease terms for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases was determined on a portfolio basis.

2.3 IMPACTS AND CHANGES IN ACCOUNTING POLICIES OF APPLICATION ON HKFRS 16 LEASES (continued)

2.3.2 Transition and summary of effects arising from initial application of HKFRS 16 (continued)

As a lessee (continued)

On transition, the Group has made the following adjustments upon application of HKFRS 16:

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid or accrued lease payments by applying HKFRS 16.C8(b)(ii) transition.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rate applied is 4.75%.

	At 1 January 2019 HK$'000
Operating lease commitments disclosed as at 31 December 2018	243,082
Lease liabilities discounted at relevant incremental borrowing rates	212,984
Less: Recognition exemption – short-term leases	(27,521)
Lease liabilities relating to operating leases recognised upon application of HKFRS 16 as at 1 January 2019	185,463
Analysed as	
Current	63,647
Non-current	121,816
	185,463

2.3 IMPACTS AND CHANGES IN ACCOUNTING POLICIES OF APPLICATION ON HKFRS 16 LEASES (continued)

2.3.2 Transition and summary of effects arising from initial application of HKFRS 16 (continued)

As a lessee (continued)

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	Note	Right-of use assets HK$'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16		185,463
Reclassified from prepaid lease payments	(a)	2,189,768
		2,375,231
By class:		
Leasehold lands		2,221,794
Buildings		151,434
Machineries and equipment		1,403
Others		600
		2,375,231

(a) Upfront payments for leasehold lands in the PRC were classified as prepaid lease payments as at 31 December 2018. Upon application of HKFRS 16, the current and non-current portion of prepaid lease payments amounting to HK$52,093,000 and HK$2,137,675,000 respectively were reclassified to right-of-use assets.

2.3 IMPACTS AND CHANGES IN ACCOUNTING POLICIES OF APPLICATION ON HKFRS 16 LEASES (continued)

2.3.2 Transition and summary of effects arising from initial application of HKFRS 16 (continued)

As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

(b) Upon application of HKFRS 16, new lease contracts entered into but commence after the date of initial application relating to the same underlying assets under existing lease contracts are accounted as if the existing leases are modified as at 1 January 2019. The application has had no impact on the Group's condensed consolidated statement of financial position at 1 January 2019.

(c) Before application of HKFRS 16, refundable rental deposits received were considered as rights and obligations under leases to which HKAS 17 applied. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right-of-use assets and should be adjusted to reflect the discounting effect at transition. The adjustment of refundable rental deposits paid has no material impact on the Group's financial statements.

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Note	Carrying amounts previously reported at 31 December 2018 HK$'000	Adjustments HK$'000	Carrying amounts under HKFRS 16 at 1 January 2019 HK$'000
Non-current Assets				
Prepaid lease payments	(a)	2,137,675	(2,137,675)	–
Right-of-use assets		–	2,375,231	2,375,231
Current Assets				
Prepayments, deposits and other receivables	(a)	4,612,215	(52,093)	4,560,122
Current Liabilities				
Lease liabilities		–	(63,647)	(63,647)
Non-current liabilities				
Lease liabilities		–	(121,816)	(121,816)

Note: For the purpose of reporting cash flows from operating activities under indirect method for the six months ended 30 June 2019, movements in working capital have been computed based on opening statement of financial position as at 1 January 2019 as disclosed above.

2.4 IMPACTS AND CHANGES IN ACCOUNTING POLICIES OF APPLICATION OF OTHER NEW AND AMENDMENTS TO HKFRSs

HK(IFRIC)-Int 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The interpretation requires the Group to determine whether uncertain tax positions are assessed separately or as a group and assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by individual group entities in their respective income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

The Group applied this interpretation retrospectively with the cumulative effect of initially applying the interpretation recognised at the date of initial application, 1 January 2019, without restating comparatives. The amendments have no material impact on the Group's financial statements.

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 resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit/loss before tax except that interest income, finance costs and share of profits and losses of associates are managed on a group basis and are not allocated to reportable operating segments.

Segment assets exclude deferred tax assets, tax recoverable, restricted cash at bank, cash and cash equivalents and investments in associates as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank and other borrowings, tax payable and deferred tax liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

Information about the major customer

During the six months ended 30 June 2019, revenue of approximately HK$7,131,688,000 was derived from sales by the oilseeds processing segment to a fellow subsidiary of the Company in respect of certain non-recurring strategic purchases and subcontracting charge contracts by the purchaser. During the six months ended 30 June 2018, no revenue from transactions with a single customer amounted to 10% or more of the Group's total revenue.

3. OPERATING SEGMENT INFORMATION (continued)

Geographical information

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

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

Six months ended 30 June 2019

	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	42,992,691	9,138,002	6,191,722	1,305,953	125,666	–	59,754,034
Intersegment sales	–	21,714	14	7,973	–	(29,701)	–
Other revenue	113,255	60,570	36,894	853	24,285	(33,328)	202,529
Segment results	113,815	331,404	61,081	119,969	(8,848)	289	617,710
Interest income							63,821
Finance costs							(379,789)
Share of profits and losses of associates							19,721
Profit before tax							321,463
Income tax							79,131
Profit for the period							400,594
Other segment information:							
Depreciation and amortisation	366,893	110,909	61,316	38,810	22,168	–	600,096
Capital expenditure	430,386	250,869	1,310,614	37,396	32,275	–	2,061,540

As at 30 June 2019

	Oilseeds processing	Rice processing and trading	Wheat processing	Brewing materials	Corporate and others	Eliminations	Total
Assets and liabilities							
Segment assets	36,369,728	10,195,446	6,739,725	3,335,024	19,702,392	(19,446,061)	56,896,254
Corporate and other unallocated assets							9,107,183
Total assets							66,003,437
Segment liabilities	21,661,732	5,637,589	3,082,974	984,264	713,758	(18,857,103)	13,223,214
Corporate and other unallocated liabilities							18,938,894
Total liabilities							32,162,108

3. OPERATING SEGMENT INFORMATION (continued)

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 revenue	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							(6,731)
Profit for the period							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 31 December 2018

	Oilseeds processing	Rice processing and trading	Wheat processing	Brewing materials	Corporate and others	Eliminations	Total
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

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 six months ended 30 June 2019						
	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)
Types of goods or services							
Edible oil and related products	**42,457,147**	**–**	**–**	**–**	**–**	**–**	**42,457,147**
Rice	**–**	**9,159,716**	**–**	**–**	**–**	**(21,714)**	**9,138,002**
Flour and related products	**–**	**–**	**6,191,736**	**–**	**–**	**(14)**	**6,191,722**
Malt	**–**	**–**	**–**	**1,313,926**	**–**	**(7,973)**	**1,305,953**
Subcontracting service	**535,544**	**–**	**–**	**–**	**–**	**–**	**535,544**
Others	**–**	**–**	**–**	**–**	**125,666**	**–**	**125,666**
Total	**42,992,691**	**9,159,716**	**6,191,736**	**1,313,926**	**125,666**	**(29,701)**	**59,754,034**
Timing of revenue recognition							
A point in time	**42,992,691**	**9,159,716**	**6,191,736**	**1,313,926**	**125,666**	**(29,701)**	**59,754,034**
Total	**42,992,691**	**9,159,716**	**6,191,736**	**1,313,926**	**125,666**	**(29,701)**	**59,754,034**

	For the 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)
Types of goods or services							
Edible oil and related products	33,224,246	–	–	–	–	(33)	33,224,213
Rice	–	7,488,191	–	–	–	(49,941)	7,438,250
Flour and related products	–	–	5,971,447	–	–	(7)	5,971,440
Malt	–	–	–	1,294,322	–	(4,950)	1,289,372
Others	–	–	–	–	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

4. REVENUE, OTHER INCOME AND GAINS (continued)

	For the six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Other income		
Government grants*	**70,555**	48,921
Storage income from agency purchase	**–**	6,704
Logistic service, storage income and rental income	**77,906**	58,647
Interest income	**63,821**	75,400
Others	**19,021**	15,353
	231,303	205,025
Gains		
Gains on disposal of raw materials, by-products and scrap items	**27,626**	24,853
Others	**7,421**	22,736
	35,047	47,589
	266,350	252,614

* *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. FINANCE COSTS

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

	For the six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Interest on loans:		
Bank loans	**299,044**	274,141
Loans from fellow subsidiaries	**75,880**	29,384
Loans from the ultimate holding company	**2,336**	647
Loans from non-controlling shareholders of subsidiaries	**152**	–
	377,412	304,172
Interest on lease liabilities:		
Lease liabilities due to third parties	**1,992**	–
Lease liabilities due to the ultimate holding company	**1,347**	–
Lease liabilities due to fellow subsidiaries	**929**	–
	4,268	–
Total interest expenses on financial liabilities not at fair value through profit or loss	**381,680**	304,172
Less: Interest capitalised	**(1,891)**	(1,473)
	379,789	302,699

6. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Cost of inventories sold or services provided	**55,419,873**	43,170,395
Realised and unrealised fair value losses/(gains) of commodity futures contracts, net	**539,987**	(576,133)
Provision for inventories	**62,349**	497,082
Provision for loss on non-cancellable purchase commitments*	**73,539**	859,385
Cost of sales	**56,095,748**	43,950,729
Depreciation of property, plant and equipment	**521,893**	522,783
Depreciation of right-of-use assets	**65,990**	–
Amortisation of intangible assets	**12,213**	13,365
Recognition of prepaid lease payments	**–**	26,396
Employee benefit expenses (including directors' and chief executive's remuneration)	**1,048,820**	1,254,872
(Gain)/loss on disposal of items of property, plant and equipment	**(5,769)**	636
Loss on foreign exchange, net	**87,559**	76,688
Realised and unrealised fair value losses on foreign currency forward contracts, net	**17,629**	34,337

* *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 2019, 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$73,539,000 (six months ended 30 June 2018: HK$859,385,000) is estimated with reference to the expected selling prices of the corresponding products, and a provision thereon has been made in the condensed consolidated statements of profit or loss for the six months ended 30 June 2019. The directors of the Company consider that these losses are resulted from the Group's ordinary course of business.*

7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2018: 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 CIT 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 another subsidiary of the Group is engaged in the industry specified in the "Western Development Strategy" in Mainland China. The relevant authorities have granted these subsidiaries preferential CIT rate of 15%. Besides, the Group's certain subsidiaries are also granted income tax exemption on the profit generated from processing of certain agricultural products.

	For the six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Current – Hong Kong		
Charge for the period	**853**	(255)
Current – Mainland China		
Charge for the period	**60,126**	192,704
Under-provision in prior periods	**16,636**	16,214
Deferred tax	**(156,746)**	(201,932)
Total tax for the period	**(79,131)**	6,731

8. BUSINESS COMBINATIONS

Business combinations for the period ended 30 June 2019

On 27 December 2018, the Company's wholly-owned subsidiary, COFCO Grain Investment Co., Ltd. ("COFCO Grain") signed the equity interests transfer and capital increase subscription agreement with Tianjin Lida Huaying Grain and Oil Storage and Transportation Co., Ltd. ("Lida Huaying") and Tianjin Lida Cereals and Oils Co., Ltd. ("Tianjin Lida"), stipulating that COFCO Grain would acquire 27.82% equity interests of Tianjin Lijin Grain and Oil Co., Ltd. (the "Target Company"), the total equity interests held by Lida Huaying at the time of acquisition, at the consideration of RMB143,696,000 (equivalent to approximately HK$167,885,000). At the same time, COFCO Grain increased capital of RMB415,643,000 (equivalent to approximately HK$485,609,000) to the Target Company. Eventually, COFCO Grain holds 60% equity interests of the Target Company, and Tianjin Lida holds the remaining 40% equity interests of the Target Company.

8. BUSINESS COMBINATIONS (continued)

Business combinations for the period ended 30 June 2019 (continued)

The transaction was completed on 11 April 2019, and the Target Company became a non-wholly-owned subsidiary of the Company.

	Fair value recognised on acquisition HK$'000 (Unaudited)
Property, plant and equipment	**1,099,967**
Right-of-use assets	**82,172**
Intangible assets	**114**
Cash and cash equivalents	**39,516**
Financial assets at fair value through other comprehensive income	**117**
Accounts and bills receivables	**28,111**
Prepayments, deposits and other receivables	**156,512**
Inventories	**117,044**
Interest-bearing bank and other borrowings	**(343,411)**
Accounts and bills payables	**(19,009)**
Contract liabilities	**(20,942)**
Other payables and accruals	**(53,373)**
Total identifiable net assets at fair value	**1,086,818**
Less: non-controlling interests	**(434,727)**
Goodwill on acquisition	**1,403**
	653,494
Satisfied by:	
Cash consideration	**653,494**

Net cash outflow on acquisition

	For the six months ended 30 June 2019 HK$'000 (Unaudited)
Cash consideration	**(653,494)**
Cash and cash equivalents acquired	**39,516**
Net outflow of cash and cash equivalents in respect of the acquisition	**(613,978)**

9. DIVIDEND

On 28 August 2019, the Board declared an interim dividend of 1.7 HK cents (six months ended 30 June 2018: 3.6 HK cents) per ordinary share, amounting to a total of approximately HK$89,403,000 (six months ended 30 June 2018: HK$189,306,000).

The amount of the interim dividend per ordinary share for the six months ended 30 June 2019 was calculated based on 5,258,985,388 (30 June 2018: 5,258,507,388) ordinary shares in issue as at 30 June 2019.

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

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

Earnings

	For the six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Profit attributable to owners of the Company used in the basic and diluted earnings per share calculations	**448,827**	751,020

Number of shares

	For the six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculations	**5,258,962,416**	5,251,722,325
Effect of dilution on the weighted average number of ordinary shares		
Share options	**–**	3,830,353
Weighted average number of ordinary shares in issue during the period used in the diluted earnings per share calculations	**5,258,962,416**	5,255,552,678

For the six months ended 30 June 2019, no adjustments in respect of share options have been made to the earnings and number of shares used in the basic earnings per share calculation due to that the outstanding share options have anti-dilutive effect on the basic earnings per share amount presented.

11. PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

During the six months ended 30 June 2019, the Group acquired items of property, plant and equipment with a total cost of HK$636,941,000 (six months ended 30 June 2018: HK$366,284,000), 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$16,335,000 (six months ended 30 June 2018: HK$15,632,000), resulting in a net gain on disposal of HK$5,769,000 (six months ended 30 June 2018: loss of HK$636,000).

During the current interim period, the Group entered into new lease agreements for the use of buildings and leasehold land for 2 to 38 years. On lease commencement, the Group recognised right-of-use assets of HK$56,232,000 and lease liabilities of HK$45,387,000.

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 the management. In view of the aforementioned and the fact that the Group's accounts receivables 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 credit losses.

	30 June 2019 HK$'000 (Unaudited)	31 December 2018 HK$'000 (Audited)
Within 3 months	**3,115,833**	3,931,031
3 to 12 months	**130,396**	169,850
1 to 2 years	**3,622**	1,425
2 to 3 years	**533**	620
	3,250,384	4,102,926

As part of the Group's credit risk management, the Group 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 2019.

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 Chinese 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 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 the 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 Chinese government's agricultural policies, through bank loans lent to the Entrusted Subsidiaries; (c) the interest expenses related to these bank loans would be fully reimbursed by Sinograin to these Entrusted Subsidiaries once the related government subsidies were 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 2019, the balance owed by Sinograin to the Group was nil (31 December 2018: HK$52,183,000) and the balance of short term unsecured bank loans owed by the Group to ADBC was nil (31 December 2018: HK$52,183,000), as a result of the aforesaid arrangements. 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.

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 2019 HK$'000 (Unaudited)	31 December 2018 HK$'000 (Audited)
Within 3 months	**3,618,734**	2,911,538
3 to 12 months	**149,848**	72,192
1 to 2 years	**20,972**	16,592
Over 2 years	**3,546**	3,422
	3,793,100	3,003,744

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 2019	**5,258,787,388**	**9,797,048**
Exercise of share options	**198,000**	**564**
At 30 June 2019	**5,258,985,388**	**9,797,612**

16. SHARE OPTION SCHEME

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

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

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

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

The exercise price of share options is determinable by the board of directors, but may not be less than the higher of (i) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer; and (iii) HK$0.1.

16. SHARE OPTION SCHEME (continued)

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

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

In accordance with the terms of the Scheme, with effect on 28 March 2013, the exercise price and the outstanding number of share options of the 2011 Options had been adjusted (the "Adjustments") as a result of the rights issue of the Company made in 2012. After the Adjustments, the exercise price of the 2011 Options is HK$8.220 per share, and the outstanding number of share options of the 2011 Options has been increased by 2,646,000 shares.

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:

	2018	
	Weighted average exercise price HK$ per share	Number of options '000 (Unaudited)
At 1 January	8.220	41,177
Forfeited during the period*	8.220	(41,177)
At 30 June	8.220	–

* *For the six months ended 30 June 2018, since the expiry of share option, the amount of HK$171,541,000 was transferred from employee share-based compensation reserve to retained profits.*

16. SHARE OPTION SCHEME (continued)

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

	2019		2018	
	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**	**97,310**	2.850	108,814
Forfeited during the period	**2.850**	**(2,772)**	2.850	(1,895)
Exercised during the period	**2.850**	**(198)**	2.850	(8,627)
At 30 June	**2.850**	**94,340**	2.850	98,292

The vesting periods, exercise price and exercise periods of the 2015 Options outstanding as at 30 June 2019 and 2018 are as follows:

2019	2018	Vesting period	Exercise price per share*	Exercise period
Number of options granted* '000	'000	(dd–mm–yyyy)	HK$	(dd–mm–yyyy)
31,132	32,558	4–12–2015 to 3–12–2017	2.850	4–12–2017 to 3–12–2020
31,132	32,376	4–12–2015 to 3–12–2018	2.850	4–12–2018 to 3–12–2020
32,076	33,358	4–12–2015 to 3–12–2019	2.850	4–12–2019 to 3–12–2020
94,340	98,292			

* *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 OPTION SCHEME (continued)

The 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$3,226,000 during the period (six months ended 30 June 2018: HK$7,698,000). Share option expenses of nil (six months ended 30 June 2018: 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 94,340,000 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 94,340,000 additional ordinary shares of the Company and additional share capital of HK$268,869,000 (before issue expenses).

At the date of the approval of these condensed consolidated financial statements, the Company had share options outstanding under the Scheme, which represented approximately 1.8% 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:

	Notes	For the six months ended 30 June	
		2019	2018
		HK$'000	HK$'000
		(Unaudited)	(Unaudited)
Transactions with fellow subsidiaries:			
Sales of goods **	(i)	**8,633,636**	1,165,341
Purchases of goods**	(i)	**18,878,921**	12,961,726
Operating lease rental paid	(i)	**–**	2,039
Lease expenses	(i)	**1,867**	–
Interest expense			
Loans	(ii)	**75,880**	29,384
Lease liabilities	(ii)	**929**	–
Brokerage fee paid	(i)	**4,419**	4,681
Logistics service and storage expense	(i)	**28,130**	14,810
Other service expenses	(i)	**50,395**	9,044
Subcontracting service income	(i)	**535,544**	–
Other service income	(i)	**52,524**	43,096
Transactions with the ultimate holding company:			
Sales of goods	(i)	**117,065**	290,760
Operating lease rental paid	(i)	**–**	14,083
Interest expense			
Loans	(ii)	**2,336**	647
Lease liabilities	(ii)	**1,347**	–
Other service expenses	(i)	**–**	207
Other service income	(i)	**18,822**	16,807
Transactions with associates:			
Sales of goods	(i)	**13,218**	89,476
Purchases of goods	(i)	**35,390**	80,207
Interest income	(iii)	**–**	1,586
Other service income	(i)	**2,300**	13,925
Transactions with related companies*:			
Sales of goods	(i)	**389,312**	188,533
Purchases of goods	(i)	**129,388**	586,245
Other service expense	(i)	**38,546**	42,233
Other service income	(i)	**152**	67
Transactions with non-controlling shareholders of subsidiaries:			
Purchases of goods	(i)	**11,675**	25,171
Interest expense	(ii)	**152**	–

17. RELATED PARTY TRANSACTIONS (continued)

(a) Transactions with related parties (continued)

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

** *In the current period, the Group had certain transactions with fellow subsidiaries, including sales by the Group's oilseed processing segment as reference to note 3 to the condensed consolidated financial statements and the purchase of soybean meals and edible oils of HK$5,559,746,000 (six months ended 30 June 2018: Nil) from one fellow subsidiary.*

Notes:

(i) For the six months ended 30 June 2018 and 2019, all transactions were carried out with reference to the prevailing market prices or, at cost plus a percentage of profit mark-up which is approximate to the fair value.

(ii) The interest expenses to fellow subsidiaries arose from loans from fellow subsidiaries, which were unsecured and bore interest rates ranged from 4.13% to 4.57% per annum (six months ended 30 June 2018: 3.2% 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 ranged from 1.08% to 2.68% per annum (six months ended 30 June 2018: 1.08% per annum). The interest expenses to non-controlling shareholders of subsidiaries arose from loans, which were unsecured and bore interest rate of 4.35% per annum (six months ended 30 June 2018: Nil).

(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.

(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$901,144,000 (31 December 2018: HK$6,182,814,000) bear interest at rates ranged from 4.13% to 4.57% (31 December 2018: 2.96% to 4.57%) per annum and will be repaid within one year. Loans from the ultimate holding company of HK$1,239,115,000 (31 December 2018: HK$108,423,000) bear interest at rates ranged from 1.08% to 2.68% (31 December 2018: 1.08%) per annum and repayable from July 2019 to 2027. Amounts due to non-controlling shareholders of subsidiaries of HK$33,840,000 (31 December 2018: Nil) bore interest at a rate of 4.35% per annum (31 December 2018: Nil) and will be repaid within one year.

(2) Amounts due to non-controlling shareholders of subsidiaries of HK$198,489,000 (31 December 2018: HK$198,803,000) are financing in nature and not repayable within one year from the end of the reporting period.

(3) Amounts due to the immediate holding company of HK$40,220,000 (31 December 2018: Nil) are related to the 2018 dividend payable.

17. RELATED PARTY TRANSACTIONS (continued)

(c) Lease liabilities balances with related parties

Lease liabilities balances with related parties at the end of the reporting period are as follows:

Lease liabilities from fellow subsidiaries were HK$37,909,000, of which HK$6,123,000 would be paid within one year. Lease liabilities from the ultimate holding company were HK$59,474,000, of which HK$39,252,000 would be paid within one year.

(d) Commitments with related parties

As at 30 June 2019, 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 soybean and oils in bulk from COFCO Resources with a total consideration of approximately HK$3,551,880,000. The Group expects that these transactions will be taken place in the second half of 2019.

As at 31 December 2018, the Group entered into purchase agreements with COFCO Resources, pursuant to which the Group agreed to purchase malt, soybean and other oilseeds processing materials from COFCO Resources with a total consideration of approximately HK$2,888,028,000. These transactions had taken place in 2019.

(e) Compensation of key management personnel of the Group

	For the six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Short term employee benefits	**8,276**	7,637
Post-employment benefits	**175**	190
Equity-settled share option expense	**130**	445
Total compensation paid to key management personnel	**8,581**	8,272

(f) 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. CAPITAL COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	30 June 2019 HK$'000 (Unaudited)	31 December 2018 HK$'000 (Audited)
Capital commitments in respect of property, plant and equipment:		
Contracted, but not provided for	**1,489,677**	1,248,739

19. OTHER COMMITMENTS

(a) Commitments under commodity futures contracts

	30 June 2019 HK$'000 (Unaudited)	31 December 2018 HK$'000 (Audited)
Sales contracts	**4,592,787**	4,612,284
Purchases contracts	**7,917,027**	4,224,579

(b) Commitments under foreign currency forward contracts

As at 30 June 2019, the Group has commitments under foreign currency forward contracts of sales with aggregate notional amounts of HK$1,529,624,000 (31 December 2018: HK$601,490,000) and contracts of purchase with an aggregate notional amount of HK$11,047,630,000 (31 December 2018: HK$18,336,984,000).

20. 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 are 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 2019	31 December 2018		
1) Foreign currency forward contracts	**Assets – HK$97,935,000; and Liabilities – HK$32,299,000**	Assets – HK$43,426,000; and Liabilities – HK$33,781,000	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 futures contracts	**Assets – HK$127,947,000; and Liabilities – HK$123,028,000**	Assets – HK$120,409,000; and Liabilities – HK$10,936,000	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.

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

20. 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 2019 was assessed to be insignificant.

21. APPROVAL OF THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The unaudited condensed consolidated interim financial statements were approved and authorised for issue by the board of directors on 28 August 2019.

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