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

*(Incorporated in Hong Kong with limited liability)*  
**(Stock Code: 606)**

### **NON-EXERCISE OF OPTIONS**

This announcement is made pursuant to the disclosure obligations set out in the section headed “Relationship with COFCO and COFCO International” in the prospectus of the Company dated 8 March 2007.

#### **BACKGROUND**

Reference is made to the announcements dated 9 May 2007, 16 May 2007 and 3 March 2009 on which the board of directors (the “**Board**”) of China Agri-Industries Holdings Limited (the “**Company**”) announced that the options of the Company to acquire from COFCO Corporation (“**COFCO**”) interest in Anhui BBKA Biochemical Co., Ltd. (“**Anhui BBKA**”), COFCO Tayuan Safflower (Xinjiang) Co., Ltd. (formerly known as Xinjiang Tayuan Safflower Co., Ltd.) (“**Xinjiang Tayuan**”) and Cerestar China Resources Maize Industry Co., Ltd. (“**Cerestar CR**”) became effective on 3 April 2007, 10 April 2007 and 26 February 2009, respectively. Such options were granted under the non-competition deed executed by COFCO and COFCO (Hong Kong) Limited in favour of the Company on 16 February 2007 (the “**Non-Competition Deed**”). As described in the prospectus of the Company dated 8 March 2007, any decision to exercise options under the Non-Competition Deed shall be voted on solely by the independent non-executive directors of the Company (“**INEDs**”) and be decided by majority vote.

On 25 August 2010, the INEDs held a meeting to consider whether or not to exercise the options. The INEDs reviewed relevant information of Anhui BBKA, Xinjiang Tayuan and Cerestar CR provided by COFCO, which they believe to be sufficient in forming their opinion. The Board hereby announces that:

- (1) the INEDs unanimously resolved not to, for the time being, exercise the options to acquire from COFCO interest in Anhui BBKA and Xinjiang Tayuan. The INEDs will continue to review such options on an annual basis and to disclose the reasons for their decision by way of public announcement; and

- (2) the INEDs unanimously made a final and definitive decision not to exercise the option to acquire from COFCO interest in Cerestar CR and have requested COFCO to dispose of its interest in Cerestar CR to independent third parties pursuant to the Non-Competition Deed.

### **ANHUI BBCA**

Having taken into account the principal factors and considerations set out below, the INEDs are of the opinion that it is not appropriate and not in the best interests of the Company and the shareholders of the Company as a whole to exercise the option regarding Anhui BBCA for the time being:

- the profitability of Anhui BBCA's bio-chemical business is generally lower than that of the Company's own bio-chemical business;
- the asset-liability ratio of Anhui BBCA is high and therefore involves relatively high financial risks; and
- the business of Anhui BBCA still includes some operations and businesses that are not in line with the core businesses of the Company. The Company intends to concentrate its resources on its core businesses and to adhere to its business plan.

### **XINJIANG TAYUAN**

Having taken into account the principal factors and considerations set out below, the INEDs are of the opinion that it is not appropriate and not in the best interests of the Company and the shareholders of the Company as a whole to exercise the option regarding Xinjiang Tayuan for the time being:

- Xinjiang Tayuan made only a small profit for the year ended 31 December 2009 and was loss making for the six-month period ended 30 June 2010;
- the profitability of Xinjiang Tayuan is, by far, lower than the profitability of comparable businesses held by the Company; and
- the Company believes it would be premature to acquire any interest in Xinjiang Tayuan as its prospect and financial performance is still uncertain.

### **CERESTAR CR**

Having taken into account the principal factors and considerations set out below, the INEDs have unanimously made a final and definitive decision not to exercise the option to acquire from COFCO interest in Cerestar CR:

- the shareholders of Cerestar CR had made substantial capital investment in Cerestar CR in the past but this has not generated anticipated results and performance. The profitability of Cerestar CR has decreased since 2007 and such trend is expected to continue in the near future;

- taking into account Cerestar CR had recorded losses in recent years, the net asset value of Cerestar CR is on a decreasing trend and such trend is expected to continue in the near future;
- the asset-liability ratio of Cerestar CR is very high and therefore involves high financial risks; and
- COFCO only indirectly holds a minority interest in Cerestar CR and as such, COFCO does not have significant control over Cerestar CR and is not in a position to help improving Cerestar CR's business performance.

Having made a final and definitive decision not to exercise the option, the INEDs have requested COFCO to dispose of its interest in Cerestar CR to independent third parties pursuant to the Non-Competition Deed.

### **NON-EXERCISE OF OPTIONS**

The Board has accordingly decided not to exercise the options in relation to Anhui BBCA and Xinjiang Tayuan (the “**BBCA and Tayuan Options**”) for the time being.

The Board wishes to emphasize that no final and definitive decision has been made as to whether the Company will exercise the BBCA and Tayuan Options in future. The BBCA and Tayuan Options will remain in effect so long as the Non-Competition Deed remains effective and will be reviewed by the INEDs on an annual basis. A final and definitive decision will be made by the Company on the fifth anniversary (being the last year of the option period) of the BBCA and Tayuan Options having become effective, if such decision has not been made before such time.

COFCO has undertaken to the Company that where, on the fifth anniversary of the BBCA and Tayuan Options having become effective, a decision is made by the Company not to exercise the BBCA and Tayuan Options, COFCO will dispose of the relevant interests in respect of the BBCA and Tayuan Options to independent third parties within six months of such decision. If for any reason further time after the fifth anniversary is deemed necessary for the proper evaluation of the BBCA and Tayuan Options, such decision to extend would be voted on solely by the INEDs and be decided by majority vote.

By Order of the Board  
**China Agri-Industries Holdings Limited**  
**YU Xubo**  
*Managing Director*

Hong Kong, 25 August 2010

*As at the date of this announcement, the Board comprises: Mr. NING Gaoning as chairman of the Board and non-executive director, Mr. YU Xubo, Mr. LU Jun and Mr. YUE Guojun as executive directors; Mr. CHI Jingtao and Mr. MA Wangjun as non-executive directors; and Mr. LAM Wai Hon, Ambrose, Mr. Victor YANG and Mr. Patrick Vincent VIZZONE as independent non-executive directors.*