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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)

CONTINUING CONNECTED TRANSACTIONS
AND
ANNUAL CAP FOR YEAR 2012

References are made to the Announcements and Circular made by the Company.

As the Financial Services Agreement will expire on 31 December 2011, the Company entered into the 2011 Financial Services Agreement with COFCO Finance and the Management Company on 21 October 2011. As the resolution in respect of the 2011 Financial Services Agreement (and the relevant caps) was not approved at the EGM, in consideration of the treasury management of the Company taking into account the business development plans and financial needs of the Group, as well as the benefit of the Company and its Shareholders as a whole, the Company entered into the New 2011 Financial Services Agreement on 15 December 2011.

The transactions contemplated under the New 2011 Financial Services Agreement are subject to the reporting and announcement requirements but exempt from independent shareholders' approval requirement under Rule 14A.34 of the Listing Rules.

1. INTRODUCTION

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2. PARTICULARS OF THE NEW 2011 FINANCIAL SERVICES AGREEMENT

Background

On 27 October 2009, the Company, COFCO Finance and the Management Company entered into the Financial Services Agreement, in order to provide for the more efficient employment of funds within the Group, to reduce the external loans of the Group effectively and to better facilitate intra-Group settlement services. As the Financial Services Agreement will expire on 31 December 2011, the Company, COFCO Finance and the Management Company entered into the 2011 Financial Services Agreement on 21 October 2011. As the resolution in respect of the 2011 Financial Services Agreement (and the relevant caps) was not approved at the EGM, in consideration of the treasury management of the Company taking into account the business development plans and financial needs of the Group, as well as the benefit of the Company and its Shareholders as a whole, the Company entered into the New 2011 Financial Services Agreement on 15 December 2011.

The principal terms of the New 2011 Financial Services Agreement are as follows:

Depository services

Pursuant to the New 2011 Financial Services Agreement, COFCO Finance will provide RMB depository services to the Group and the Management Company. Both the Group and the Management Company will open and maintain RMB depository accounts with COFCO Finance. The deposit interest rates will be determined in accordance with the standard RMB deposit rates promulgated by the PBOC from time to time.

The depository services provided by COFCO Finance to the Group and the Management Company are solely for the purpose of facilitating the entrustment loan services as disclosed below. The Group will not save any deposit balance with the accounts in COFCO Finance at the end of each business day, and all such deposit balance of the members of the Group will be deposited into the accounts opened by the Management Company with one or more Chinese commercial banks on a daily basis. In addition, the title of the funds in respect of the entrustment loans pursuant to the New 2011 Financial Services Agreement will be rested with the Management Company and will not be passed to COFCO Finance.

Entrustment loan services

(i) Loan amount

Pursuant to the New 2011 Financial Services Agreement, COFCO Finance will advance entrustment loan to the Management Company (and not to other subsidiaries of the Company) on each Business Day and the amount of entrustment loan advanced to the Management Company shall be the aggregate balance of

deposits placed with COFCO Finance by the Group on that Business Day. This particular arrangement is for the purpose of achieving maximum utilisation of the Group's fund for the Group's operation. COFCO Finance shall act as a financial agent. After such entrustment loan is advanced to the Management Company, the Management Company will, by way of entering into further entrustment loan arrangements with qualified financial institutes (including COFCO Finance) in the PRC, advance such fund to certain of the Company's subsidiaries which are in need of fund. The Management Company acts as lender while COFCO Finance and/or other financial institutes act as financial agents. Such arrangements are in full compliance with the PRC law.

As COFCO Finance is acting as a financial agent in the entrustment loan arrangement(s) and does not enjoy title of the entrustment loan advanced through it, COFCO Finance does not have legal rights to advance such entrustment loan directly to the Group's subsidiaries without first obtaining the Group's instruction. By way of centralising the fund from the subsidiaries at the Management Company, the Management Company would be able to allocate such centralised fund (by way of entering into further entrustment loan arrangements) more effectively among the Group's subsidiaries so that the fund allocation would be the most beneficial to the Group as a whole and thus in turn, benefit the Company and its Shareholders as a whole.

(ii) Interest rate and implementation

Interest will be payable by the Management Company to the Group through COFCO Finance. The parties will, where appropriate, enter into separate implementation agreements setting out the interest payable for each entrustment loan. The interest rate will be determined by reference to the interest rates of PBOC and the prevailing market conditions.

(iii) Purpose of the loan

The loan is provided to the Management Company for the purpose of the integrated funds management of the Group, more reasonable and effective utilisation of the funds to reduce costs, and optimisation of capital structure. By way of entering into entrustment loan arrangements, the Group's available funds can be better utilised by certain of the Company's subsidiaries which are in need of fund. Management of the Group is of the view that the centralisation of its intra-group depository and financing functions would enhance its treasury management capabilities and substantially reduce the funding needs from external sources, and ultimately lower the finance charges of the Group.

Charges

The deposit services provided by COFCO Finance under the New 2011 Financial Services Agreement are provided on a free-of-charge basis. COFCO Finance will charge handling fee for the entrustment loan service provided. The terms for such handling fees are equal or more favourable to the Group as compared with market standard.

Term of the New 2011 Financial Services Agreement

The New 2011 Financial Services Agreement shall be conditional upon the full compliance by the Company of all requirements under the Listing Rules for the New 2011 Financial Services Agreement, including but not limited to the reporting and announcement requirements.

The term of the New 2011 Financial Services Agreement shall be commencing from 1 January 2012 to 31 December 2012. The New 2011 Financial Services Agreement may be renewed upon its expiry subject to full compliance by the Company with all the applicable laws, regulations and the listing rules of the Company's listing place.

Set off

Where COFCO Finance applies the funds deposited with it by the Management Company and the subsidiaries of the Company in breach of any provisions of the New 2011 Financial Services Agreement or in any other inappropriate ways which results in the Management Company and/or the subsidiaries of the Company fails to recover such deposit funds, the Management Company and the Company will be entitled to use such deposit funds to set off any payments payable to COFCO Finance by the Management Company or the subsidiaries of the Company, respectively. COFCO Finance will not be entitled to such set off rights.

Notification of breach

During the term of the New 2011 Financial Services Agreement, if COFCO Finance breaches or tends to breach any law, regulation or any provision of the New 2011 Financial Services Agreement, it should notify the Management Company and the subsidiaries of the Company of such situation within three days from its acknowledgement of the same.

Termination

The New 2011 Financial Services Agreement shall not be terminated by the parties unilaterally. Upon termination of the New 2011 Financial Services Agreement, the Management Company and the subsidiaries of the Company may withdraw their respective deposit with COFCO Finance at any time, and will be entitled to the above mentioned set off right.

In addition to the default events provided by the Contract Laws of the People's Republic of China, the New 2011 Financial Services Agreement will be terminated with immediate effect if COFCO Finance fails to satisfy any operation condition as follows:

- (i) the capital adequacy ratio is not less than 12%;

- (ii) the non-performing assets ratio is not more than 2%;
- (iii) the bad loan ratio is not more than 3%;
- (iv) the self-owned fixed assets to equity ratio is not more than 10%;
- (v) short term securities investment to total capital ratio is not more than 40%; or
- (vi) long term investment to total capital ratio is not more than 30%.

Implementation agreements

The Management Company, COFCO Finance and members of the Group may, from time to time and as necessary, enter into separate implementation agreements to supplement the New 2011 Financial Services Agreement. Any such implementation agreement will be entered into in accordance with the terms specified in the New 2011 Financial Services Agreement and the annual cap as determined by the Board.

Reasons for entering into the New 2011 Financial Services Agreement

PRC laws do not permit companies, including subsidiaries and associates, other than regulated financial institutions, to extend intra-group loans directly. Any such loans must be directed through a regulated financial institution or agency. COFCO Finance is a non-banking financial institution subject to regulations by the PBOC and CBRC, and is authorised to provide various kinds of financial services to the Group, including deposit-taking and loan services. The main reasons for and benefits of the transactions under the New 2011 Financial Services Agreement (collectively the “**Arrangements**”) are as follows:

- (i) the use of COFCO Finance as a vehicle through which the funds of the Group, including the Management Company, would allow for the more efficient deployment of funds between members of the Group;
- (ii) the Arrangements would allow the greater utilisation of available funds, utilise the collected funds to repay the external commercial loans of the members of the Group and optimise the Group’s funds;
- (iii) the Arrangements would promote liquidity among the Group, including the Management Company, enhance the overall ability of the Group to repay debts, and assist in monitoring and controlling financial risks;
- (iv) the Arrangements would save financial costs, thereby increasing the profitability of the Group and benefitting shareholders, including the minority shareholders;
- (v) the Arrangements would allow for the prompt and accurate monitoring and regulation of the application of funds of the Group including the Management Company;

- (vi) COFCO Finance was established in 2002 with a complete corporate structure, and its internal control mechanism is standard. During the past nine years' operation of COFCO Finance, its operation has been stable, financial performance has been excellent and no violation of any rules has occurred;
- (vii) COFCO Finance has well established operating networks with seven major domestic banks, namely the Industrial and Commercial Bank of China, China Construction Bank, Bank of China, Agricultural Bank of China, China Merchants Bank, Bank of Communications and China CITIC Bank and such network has become the necessary and efficient channel of collecting the funds of the members of the Group;
- (viii) COFCO Finance has comparatively strong financing ability through a credit line of not less than RMB10 billion arranged with such domestic banks;
- (ix) the Company believes that COFCO Finance may provide more diversified and flexible financial services to the Group compared with a single or a small number of third-party commercial banks; and
- (x) the Company believes that the risk profile of COFCO Finance, as a financial services provider to the Group, is not greater than that of independent commercial banks in the PRC.

Risk management

In order to safeguard the interests of the Shareholders, the Group will adopt the following guidelines and principles in monitoring the Arrangements:

- (1) the Company will not save any deposit balance with the accounts in COFCO Finance at the end of each business day, and all such deposit balance of the members of the Group will be deposited into the accounts opened by the Management Company of the Group with one or more Chinese commercial banks on a daily basis;
- (2) the title of the funds in respect of the entrustment loans pursuant to the New 2011 Financial Services Agreement will not be passed to COFCO Finance;
- (3) funds received by the Management Company pursuant to the New 2011 Financial Services Agreement should only be applied for intra-Group use;
- (4) specifically designated personnel from the Management Company will be responsible for daily operations under the Arrangements and their monitoring;
- (5) specifically designated personnel from the finance department of the Company will be responsible for regular monitoring of the Arrangements, will report to the general manager of the finance department and the management of the Company on a weekly basis;

- (6) the finance department of the Company will report to the independent directors of the Company on a quarterly basis in relation to the Arrangements;
- (7) COFCO Finance will report to the management of the Company in written statements on bi-weekly basis in order to ensure the management of the Company to understand the Arrangements in time;
- (8) the finance department of the Company will require COFCO Finance to appoint external auditors to examine the internal controls, risk management, completeness and impartiality of the operational system in respect of the Arrangements and to provide relevant risk management report on quarterly basis;
- (9) under the relevant rules of the PBOC and CBRC the clients of COFCO Finance are restricted to COFCO and COFCO's subsidiaries (including the Company and other members of the Group). COFCO Finance is hence exposed to a lower level of potential risk than if clients included external entities;
- (10) the arrangement between the Company and COFCO Finance under the New 2011 Financial Services Agreement is non-exclusive, and the Company has its own discretion in electing its provider for financial services;
- (11) the audit and supervision department of the Company will review the appropriateness of the system of internal controls surrounding the operation in respect of the Arrangements and report result of the review to the management and the audit committee/independent directors on yearly basis;
- (12) where COFCO Finance applies the funds deposited with it by the Management Company and the subsidiaries of the Company in breach of any provisions of the New 2011 Financial Services Agreement or in any other inappropriate ways which results in the Management Company and/or the subsidiaries of the Company fails to recover such deposit funds, the Management Company and the Company will be entitled to use such deposit funds to set off any payments payable to COFCO Finance by the Management Company or the subsidiaries of the Company. COFCO Finance will not be entitled to such set off rights;
- (13) in addition to the default events provided by the Contract Laws of the People's Republic of China, the New 2011 Financial Services Agreement will be terminated with immediate effect if COFCO Finance fails to satisfy any operation condition as follows:
 - (i) the capital adequacy ratio is not less than 12% (whereas CBRC requires such ratio shall not be less than 10%);
 - (ii) the non-performing assets ratio is not more than 2% (whereas CBRC requires such ratio shall not be more than 4%);

- (iii) the bad loan ratio is not more than 3% (whereas CBRC requires such ratio shall not be more than 5%);
 - (iv) the self-owned fixed assets to equity ratio is not more than 10% (whereas CBRC requires such ratio shall not be more than 20%);
 - (v) short term securities investment to total capital ratio is not more than 40% (whereas CBRC requires such ratio shall not be more than 40%); or
 - (vi) long term investment to total capital ratio is not more than 30% (whereas CBRC requires such ratio shall not be more than 30%);
- (14) the Company will review the Arrangements and summarise the experience and supplement the inadequacies.

Guarantee letters from COFCO

On 15 December 2011, COFCO issued guarantee letters to the PRC subsidiaries of the Company and the Management Company respectively to unconditionally and irrevocably guarantee that, during the term of the New 2011 Financial Services Agreement and upon renewal of the New 2011 Financial Services Agreement, COFCO will:

- maintain its ultimate control of COFCO Finance, and guarantee the proper and orderly operation of COFCO Finance;
- use its best endeavors and take all reasonable steps to guarantee that COFCO Finance will perform its obligations in respect of the financial services contemplated under the New 2011 Financial Services Agreement;
- bear all the losses incurred due to the failure in performing the obligations under the New 2011 Financial Services Agreement by COFCO Finance, including but not limited to, loan amount, interests and the relevant expenses incurred, within ten Business Days since such failure occurs.

COFCO confirms that it has obtained all approvals and authorisations for execution the abovementioned guarantee letters and such execution does not violate any PRC laws, regulations or any agreement to which COFCO is a party.

Historical transaction values

The maximum daily balance of deposits (including the corresponding interests accrued thereon) placed by the Group with COFCO Finance for the two years ended 31 December 2010, and the maximum daily balance of deposits (including the corresponding interests accrued) placed by the Group with COFCO Finance for the period from 1 January 2011 to 31 October 2011, being the subject matter of the Financial Services Agreement, are set out below:

Transactions	Historical transaction values for		
	the years ended		the period from
	31 December	2010	1 January 2011 to 31 October 2011
	2009	2010	2011
	<i>(RMB millions)</i>		
Maximum daily balance of deposits (including the corresponding interests accrued thereon) placed by the Group with COFCO Finance	59.0	923.9	1,398.8

Annual caps for the Financial Services Agreement

The details of the annual caps for transactions contemplated under the Financial Services Agreement for the three years ending 31 December 2011 is as follows:

Transactions	Annual caps for the years ended/		
	ending 31 December		
	2009	2010	2011
	<i>(RMB millions)</i>		
Maximum daily balance of deposits (including the corresponding interests accrued thereon) placed by the Group with COFCO Finance	3,500.0	3,500.0	3,500.0

As at the date of this announcement, none of the above respective annual caps has been exceeded.

Annual cap and the basis thereof

The annual cap on the maximum daily balance of deposits (including the corresponding interests accrued thereon) placed by the Group with COFCO Finance pursuant to the New 2011 Financial Services Agreement are as follows:

Transactions	Annual cap for the year ending 31 December 2012 (RMB millions)
Maximum daily balance of deposits (including the corresponding interests accrued thereon) placed by the Group with COFCO Finance	900.0

In setting the above annual cap for the year ending 31 December 2012, the Company has taken into account the following factors:

- (i) the treasury management of the Company taking into account the business development plans and the financial needs of the Group given the fact that relevant resolution in respect of the 2011 Financial Services Agreement (and relevant caps) was not approved at the EGM;
- (ii) the expected amount of interest income from COFCO Finance compared with interest income that could otherwise be obtained by placing deposits with independent commercial banks;
- (iii) the control of financial risks in selecting financial services providers; and
- (iv) the benefit to the Group and the Company's Shareholders as a whole.

Listing Rules implications

COFCO Finance is an indirectly wholly owned subsidiary of COFCO, a substantial shareholder of the Company. Therefore, COFCO Finance is a connected person of the Company under the Listing Rules.

Depository services

The depository services under the New 2011 Financial Services Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As certain applicable percentage ratios of the depository services exceed 0.1% but fall below 5% on annual basis, the depository services will be subject to the reporting and announcement requirements but exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Entrustment loan

Entrustment loans provided by COFCO Finance to the Management Company under the New 2011 Financial Services Agreement are for the benefit of the Group on normal commercial terms with no security over any assets of the Group. Therefore, such entrustment loans are exempt from the reporting, announcement and independent shareholders' approval requirements under the Listing Rules. The parties will also enter into an entrustment framework agreement to regulate the separate implementation agreements in facilitating the entrustment loans. As such entrustment agreement only deals with intra-Group loans and each of the percentage ratios for the handling fee to be charged by COFCO Finance is less than 0.1%, the entrustment framework agreement is exempt from the reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

Directors' views

The Directors (including the independent non-executive Directors) believe that the New 2011 Financial Services Agreement was entered into on normal commercial terms which are fair and reasonable and in the interests of the Shareholders as a whole, and that the annual cap mentioned above is fair and reasonable. The Arrangements are also considered in the ordinary and usual course of business of the Group. Only the independent non-executive Directors participated the voting process of the Board in connection with the New 2011 Financial Services Agreement.

3. GENERAL INFORMATION RELATING TO THE COMPANY, THE CONNECTED PERSONS AND RELEVANT PARTIES

The Company is a leading producer and supplier of processed agricultural products in the PRC. It offers a diverse range of products to its customers in and outside the PRC and it enjoys market leading positions in majority of its businesses including oilseeds processing, biofuel and biochemical, rice trading and processing, wheat processing and brewing materials.

COFCO Finance is a non-bank finance subsidiary of COFCO established in the PRC on 24 September 2002 with approval of PBOC. It is subject to the supervision of the CBRC. According to its business licence, it is authorised to provide to the Group all services set out in the New 2011 Financial Services Agreement. Such services include but not limited to (i) provide financial and financing consultation services, credit appraisal and relevant

consulting services and agency business services; (ii) assist the Group to implement the payables and receivables of the transaction amounts; (iii) provide guarantees to the Group; (iv) conduct intra-Group transfer of settlement and other relevant settlements; and (v) provide loans and financing leases to the Group.

The Management Company is a wholly owned subsidiary of the Company which is primarily engaging in providing management services, such as enterprise management, business information, investment information, information consultancy services and marketing and planning services relating to agricultural products, and research and development of technologies and technical support relating to agricultural products, to other subsidiaries of the Company.

DEFINITIONS

“2011 Financial Services Agreement”	an agreement entered into on 21 October 2011 among COFCO Finance, the Management Company and the Company in relation to the financial services to be provided by COFCO Finance to the Management Company and the Group;
“Announcements”	collectively refer to the Company’s announcements dated 21 November 2008, 26 November 2008, 27 October 2009, 4 August 2011, 21 October 2011 and 2 December 2011;
“Board”	the board of Directors;
“Business Day(s)”	a day on which banks are open for business in the PRC;
“CBRC”	China Banking Regulatory Commission (中國銀行業監督管理委員會);
“Circular”	the Company’s Circular dated 16 November 2011;
“COFCO”	COFCO Corporation (中糧集團有限公司), a wholly state-owned company established in the PRC in September 1952 currently under the purview of the State-owned Assets Supervision and Administration Commission of the State Council of the PRC, the ultimate controlling shareholder of the Company;
“COFCO Finance”	COFCO Finance Co., Ltd. (中糧財務有限責任公司), a limited liability company incorporated in the PRC and a wholly owned subsidiary of COFCO;
“Company”	China Agri-Industries Holdings Limited, a company incorporated on 18 November 2006 with limited liability under the laws of Hong Kong;
“Director(s)”	the director(s) of the Company;

“EGM”	the extraordinary general meeting of the Company held on 2 December 2011;
“Financial Services Agreement”	an agreement entered into on 27 October 2009 among COFCO Finance, the Management Company and the Company in relation to the financial services to be provided by COFCO Finance to the Management Company and the Group;
“Group”	the Company and its subsidiaries;
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange;
“Management Company”	COFCO Agri-Industries Management Co., Ltd. (中糧農業產業管理服務有限公司), a limited liability company incorporated in the PRC and a wholly owned subsidiary of the Company;
“New 2011 Financial Services Agreement”	an agreement entered into on 15 December 2011 among COFCO Finance, the Management Company and the Company in relation to the financial services to be provided by COFCO Finance to the Management Company and the Group;
“PBOC”	the People’s Bank of China (中國人民銀行), the central bank of the PRC;
“PRC”	the People’s Republic of China;
“RMB”	Renminbi, the lawful currency of the PRC;
“Shareholder(s)”	the shareholder(s) of the Company; and
“Stock Exchange”	The Stock Exchange of Hong Kong Limited.

By Order of the Board
China Agri-Industries Holdings Limited
NING Gaoning
Chairman

Hong Kong, 15 December 2011

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