



NING Gaoning, Chairman

CHAIRMAN'S STATEMENT

I am pleased to present to all shareholders the first annual report of China Agri-Industries Holdings Limited (the "Company" or "China Agri") and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2006. Our Group was spun off from COFCO International Limited ("COFCO International") and subsequently listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 21 March 2007.

RESULTS

During the year under review, the Group's combined revenue for continuing operations was HK\$17,899 million for 2006, representing an increase of 29.6% year-on-year. Profit attributable to equity holders of the Company amounted to HK\$755 million, representing a 196.4% rise over 2005. Basic earnings per share were HK27.1 cents, up 197.8% over a year earlier.

STRATEGY AND PROSPECTS

The purpose of the spin-off is to let China Agri and COFCO International each focusing on the food supply chain that they have strengths. Under our reorganisation plan, COFCO International will concentrate on consumer branded product market while China Agri is set to emerge as one of the largest agricultural processors as well as the leading biofuel energy supplier in the People's Republic of China (the "PRC").



Agricultural processing businesses

There are five major businesses in China Agri and we are the prominent player in each sector.

Division	Existing and planned key products
Oilseed processing	Bulk edible oils, specialty oils and fats, and oilseed meals
Biofuel and biochemical	Consumable ethanol, anhydrous ethanol, crude corn oil, DDGS feed, starch, sweeteners, amino acid, lactic acid, polylactic acid and glycols
Rice trading and processing	Parboiled rice and white rice
Brewing materials	Malt and malting barley
Wheat processing	Flour and noodles

We are deliberately positioning ourselves as a total solution provider to China food industry and taking advantage of the incredible growth opportunity of the domestic agricultural processing industry, which expanded at an annual rate of 28% from 2001 to 2005 according to China National Bureau of Statistics. We are pursuing to grow each of our businesses through investment in greenfield projects and selective acquisitions.

The potential integration of the procurement, marketing and logistics division of our five major businesses may let us better serve our customers and achieve cost savings which in turn will enhance our competitiveness. Likewise, we are dedicated to seek strategic partnerships in an effort to gain access to new markets, technology expertise and management know-how, and to secure stable supply of raw materials.

Biofuel business

Fuel ethanol is used mainly as a fuel oxygenate when blended with gasoline, allowing engines to combust fuel more completely to reduce emissions from motor vehicles and to generate less carbon dioxide.

With the overwhelming support of the Chinese Government, fuel ethanol-blended gasoline has been widely used as an alternative to conventional gasoline in nine provinces in the PRC since 2004. Currently, fuel ethanol is blended with gasoline at a ratio of 1 to 9 in these provinces. The Chinese Government plans to significantly lift the current fuel ethanol consumption nearly four folds by end of 2010. In wake of this vast new business opportunity, we are utterly committed to supplying clean and renewable fuel ethanol to our customers nationwide.

By expanding our production capacities at strategic locations close to raw material supply as well as cultivating long-term relationships with upstream agricultural suppliers in securing required feedstock at lower cost, we believe we will become one of the most cost competitive fuel ethanol suppliers in the PRC with a meaningful market share.



Apart from this, we are devoted to exploring alternative feedstock and low production cost technologies through R&D. We have partnered with Novozymes A/S, a world leading enzyme supplier, for a cellulosic ethanol research and development program and we have invested over RMB40 million in a pilot plant designated for such program. Cellulosic ethanol technology enables us to produce fuel ethanol from a wide diversity of biomass obtained from urban, agricultural and forestry industry, which may significantly lower our production costs.



APPRECIATION

I, on behalf of the board of directors, would like to take this opportunity to extend my gratitude to all the shareholders for their generous support and trust, and to the management and all the staff for their dedication and hard work over the past year.

NING Gaoning
Chairman
Hong Kong, 19 April 2007

