



CORPORATE GOVERNANCE REPORT





INTRODUCTION

The Company recognises the importance of corporate transparency and accountability. The Board is committed in achieving a high standard of corporate governance and to leading the Group to grow in an efficient manner directed by the Group's vision and mission with a view to improve the Group's corporate operations and procedures.

The shares of the Company commenced trading on the Stock Exchange on 21 March 2007. Since the listing of the Company, the Company had complied with the principles and code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

SECURITIES TRANSACTIONS BY DIRECTORS AND RELEVANT EMPLOYEES

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in February 2007. Upon specific enquiries of all directors, each of them confirmed that they complied with the required standards set out in the Model Code from the date of listing up to the date of this report.

The Company has also adopted a code for securities transactions by relevant employees in February 2007 based on the Model Code in respect of dealings by relevant employees in the securities of the Company (the "Employees Model Code"). Specified employees who are likely to be in possession of unpublished price-sensitive information related to the Group and its activities must also comply with guidelines as exacting as those set out in the Model Code. Since the listing of the Company, the Company has not received any non-compliance report from any such employees.





THE BOARD

The Board is responsible for the leadership and control of the Company and overseeing the Group's businesses, strategic decisions and performances. The management is delegated with the authority and responsibility by the Board for the management of the Group. In addition, the Board has also established various Board committees on 16 February 2007 and has delegated various responsibilities to the Board committees including the audit committee (the "Audit Committee"), the remuneration committee (the "Remuneration Committee") and the nomination committee (the "Nomination Committee") (together, the "Board Committees"). Further details of these committees are set out below on pages 28 to 30. Since the Board Committees were not yet established during the year under review, the members of such Board Committees did not hold any meeting.

The information on the number of full Board meetings attended by each director during the year under review is set out in the following table:



Directors	Board Meeting
<i>Chairman and Non-executive Director</i>	
NING Gaoning*	0/(0)
<i>Executive Directors</i>	
YU Xubo (Managing Director)*	0/(0)
LU Jun*	0/(0)
YUE Guojun*	0/(0)
QU Zhe (Note 1)	1/1
<i>Non-executive Directors</i>	
CHI Jingtao*	0/(0)
MA Wangjun*	0/(0)
<i>Independent Non-executive Directors</i>	
LAM Wai Hon, Ambrose*	0/(0)
SHI Yuanchun*	0/(0)
Victor YANG*	0/(0)
Note 1: Resigned on 17 January 2007	
* All these Directors were only appointed in January 2007 when the only one board meeting of the Company for the year ended 31 December 2006 had been held before their appointment.	

The Company adopts the practice of holding regular Board meetings at least four times a year. Notice of each meeting is sent to directors at least fourteen days prior to a regular Board meeting, and directors may request inclusion of matters in the agenda for Board meetings. For ad hoc Board meetings, reasonable notices are given.

It is the practice of the Company that minutes of the Board and Board Committees have/will be recorded in sufficient detail the matters considered by the Board and Board Committees, decisions reached, including any concerns raised by the directors or dissenting views expressed. Draft and final versions of minutes of the Board and/or Board Committees (as the case may be) are/will be sent to the directors for their comments and records respectively. Board decisions can also be made via written resolutions authorised by all directors.

All Board members have access to the advice and services of the company secretary. Minutes books (including minutes of all Board Committees) are kept by the company secretary and are open for inspection during office hours on reasonable notice by any director. If necessary, directors also have access to external professional advice at the Company's expense.



CHAIRMAN AND MANAGING DIRECTOR

The chairman of the Board is Mr. Ning Gaoning, and the chief executive officer (or managing director, in the case of the Company) is Mr. Yu Xubo. The chairman's and the managing director's roles are clearly defined to ensure their independence.

The chairman takes lead in formulating the overall strategies and policies of the Group, and ensures effective performance by the Board of its functions, including compliance with good corporate governance practices, and encourages and facilitates active contribution of directors in Board activities and constructive relations between executive and non-executive directors. The chairman also ensures that a system of effective communication with shareholders of the Company and receipt by the directors of adequate and complete information is in place.

The managing director, supported by other Board members and the senior management, is responsible for managing the daily business operations of the Group. He is accountable to the Board for the implementation of the Group's overall strategies as well as co-ordination of overall business operations.

BOARD COMPOSITION

The Board currently comprises the chairman and non-executive director, being Mr. Ning Gaoning; the executive directors, being Mr. Yu Xubo (managing director), Mr. Lu Jun and Mr. Yue Guojun; the non-executive directors, being Mr. Chi Jingtao and Mr. Ma Wangjun; and the independent non-executive directors, being Mr. Lam Wai Hon, Ambrose, Mr. Shi Yuanchun and Mr. Victor Yang.

The Board members have no financial, business, family or other material or relevant relationships with each other. The composition of the Board has met the standard of recommended best practice under the Code for the Board to have at least one-third of its members comprising independent non-executive directors.

NON-EXECUTIVE DIRECTORS

Currently, each of the non-executive and independent non-executive directors of the Company has a specific term of appointment for three years.

The Company has received annual confirmations of independence from the three independent non-executive directors in accordance with Rule 3.13 of the Listing Rules. The Board has assessed their independence and concluded that all the independent non-executive directors are independent within the definition of the Listing Rules.





APPOINTMENT, RE-ELECTION AND REMOVAL

Pursuant to Article 107 of the existing articles of association of the Company ("Articles of Association"), at every annual general meeting, one-third of the directors or, if their number is not a multiple of three, then the number nearest to and at least one-third shall retire from office by rotation at least once every three years. A retiring director shall be eligible for re-election. The Company considers that sufficient measures have been taken to ensure that the Company's practices in appointment of directors are no less exacting than those in the Code.

Pursuant to Article 111, the directors may appoint a person who is willing to act to be a director, either to fill a vacancy or as an additional director, provided that the appointment does not cause the number of directors to exceed a number fixed as the maximum number of directors. A director so appointed shall retire at the next following general meeting and shall then be eligible for re-election, but shall not be taken into account in determining the directors who are to retire by rotation at the meeting.

During the year under review, Mr. Qu Zhe was appointed as the sole director of the Company in December 2006, who resigned on 17 January 2007. Since Mr. Qu Zhe is also a director of COFCO International, the holding company of the Company prior to its listing and a connected person (as defined in the Listing Rules) of the Company upon listing, Mr. Qu resigned so that the Company's management is independent from the management of COFCO International.

Mr. Ning Gaoning, Mr. Yu Xubo, Mr. Lu Jun, Mr. Yue Guojun, Mr. Chi Jingtao and Mr. Ma Wangjun were appointed as additional directors on 15 January 2007 and Mr. Lam Wai Hon, Ambrose, Mr. Shi Yuanchun and Mr. Victor Yang were appointed as additional directors on 16 January 2007. As such, all directors shall retire at the forthcoming 2007 annual general meeting of the Company ("2007 AGM") who shall then be eligible to offer themselves for re-election. As all directors are required to retire pursuant to Article 111, none of the directors shall retire from office by rotation pursuant to Article 107. To enable shareholders of the Company to make an informed decision on the re-election of directors, the biographies of the directors are set out on pages 34 to 38 of this annual report under Directors and Senior Management Profile, which demonstrates a diversity of skills, expertise, experience and qualifications among the directors.

RESPONSIBILITIES OF DIRECTORS

The Company ensures that every newly appointed director has a proper understanding of the operations and businesses of the Group and that he is fully aware of his responsibilities under statute and common law, the Listing Rules, applicable legal requirements and other regulatory requirements and the business and governance policies of the Company. The Company sponsors directors to attend professional development seminars where necessary. In addition, the Company's compliance advisor would provide training (including any update) on the Listing Rules and regulatory requirements (if required) to the directors.

The independent non-executive directors take an active role in Board meetings, contribute to the development of strategies, internal control and policies and make independent judgement on issues relating to the Group. They will take lead where potential conflicts of interest arise. The independent non-executive directors, Mr. Lam Wai Hon, Ambrose and Mr. Victor Yang are also members of the various Board committees of the Company.

NOMINATION COMMITTEE

The Nomination Committee was established on 16 February 2007 with specific written terms of reference in accordance with the requirements of the Code and currently comprises the chairman of the Company and non-executive director, being Mr. Ning Gaoning who acts as the chairman of the Nomination Committee, and two independent non-executive directors, Mr. Lam Wai Hon, Ambrose and Mr. Victor Yang.

The Nomination Committee is primarily responsible for the procedure of nominating appropriate persons and appointing its members, either to fill a casual vacancy or as an addition to the Board.

Since the Nomination Committee was established in February 2007, there was no meeting held during the year under review.

During the year under review, the executive directors were appointed based on their qualifications and experience in relation to the Group's businesses.

The non-executive directors were appointed based on their qualifications and experience within COFCO Group. The independent non-executive directors were appointed based on their professional qualifications and experience in their respective areas.

The annual general meeting circular contains detailed information on election of directors including biographies of all directors standing for election or re-election to ensure that shareholders make informed decisions.





REMUNERATION COMMITTEE

The Remuneration Committee was established on 16 February 2007 with specific written terms of reference in accordance with the requirements of the Code and currently comprises the non-executive director, being Mr. Chi Jingtao who acts as the chairman of the Remuneration Committee, and two independent non-executive directors, being Mr. Lam Wai Hon, Ambrose and Mr. Victor Yang.

The primary role of the Remuneration Committee is to make recommendations to the Board on the Company's policy and structure for remuneration of directors and senior management.

The Remuneration Committee may consult with the chairman and managing director of the Company regarding proposals for the remuneration of other executive directors. The remuneration of the non-executive directors is determined by the chairman of the Company (except for his own remuneration) and the executive directors. Where necessary, Remuneration Committee may have access to external professional services at the Company's expenses.

Since the Remuneration Committee was established in February 2007, there was no meeting held during the year under review. The remuneration of the directors and senior management was decided by the Board (except for the relevant director who should not determine his own remuneration).

The existing remuneration policy of the executive directors is determined by the chairman of the Company and the chairman of the Remuneration Committee having considered the qualifications and experience of each of the executive directors and also remuneration policy of other listed companies of similar business and size. The remuneration policy of the non-executive directors and the independent non-executive directors is determined by their participation in the Board and the Board Committees.



AUDIT COMMITTEE

The Audit Committee was established in February 2007 with specific written terms of reference which clearly deal with its authority and duties.

The Audit Committee comprises two independent non-executive directors, namely, Mr. Lam Wai Hon, Ambrose who acts as the chairman of the Audit Committee, Mr. Victor Yang and a non-executive director, Mr. Ma Wangjun. In compliance with Rule 3.21 of the Listing Rules, the chairman of the Audit Committee possesses the appropriate professional and accounting qualifications.

Under its terms of reference, the Audit Committee shall assist the Board in fulfilling its corporate governance and oversight responsibilities in relation to financial reporting, internal control, risk management and external audit functions. The Audit Committee is further authorised by the Board to investigate any activity within its terms of reference, and may make recommendations to the Board to take appropriate actions emanating from such investigations. The Audit Committee has unrestricted access to personnel, records, external auditors and senior management, as may be appropriate in discharging its functions.

Since the establishment of the Audit Committee in February 2007, there was no meeting held during the year under review.

AUDITORS' REMUNERATION

During the year under review, the remuneration paid or to be payable to Ernst & Young in respect of statutory audit services and services rendered for the listing of the Company were HK\$2,550,000 and HK\$6,500,000, respectively.



ACCOUNTABILITY AND INTERNAL CONTROL

The directors acknowledge their responsibilities for preparing all information and representations contained in the financial statements of the Company for the year under review. The directors consider that the financial statements have been prepared in conformity with the generally accepted accounting principles in Hong Kong, and reflect amounts that are based on the best estimates and reasonable, informed and prudent judgment of the Board and the management with an appropriate consideration to materiality. As at 31 December 2006, the directors, having made appropriate enquiries, were not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern. Accordingly, the directors have prepared the financial statements of the Company on a going concern basis.

During the year under review, the Company did not announce its annual and interim results respectively as required under Rules 13.49(1) and (6) of the Listing Rules since the Company has not yet been listed. As such, Code C1 is applicable to the Company. The Company has announced its annual results for the financial year ended 31 December 2006 on 19 April 2007. A statement by the external auditors on its reporting responsibility is included in this annual report.

Since the incorporation of the Company in November 2006, the Company is currently in the process of developing procedures for review of the effectiveness of its internal control system. The Company is in the process of seeking an internal auditor of the Company and committed to develop and adopt an effective internal control and risk management systems. Since the Company and its subsidiaries were part of COFCO International prior to listing, COFCO International has conducted an internal control review on the oilseed business in which the Company is able to rely on. At the Audit Committee meeting held on 20 March 2007, the Audit Committee members discussed with the management of the Company on internal control procedures and the Company is planning to engage an external professional firm to conduct a review on the internal control system of the Group as soon as practicable.



INVESTOR RELATIONS AND COMMUNICATIONS WITH SHAREHOLDERS

The Company establishes various communication channels with shareholders and investors. Shareholders will receive printed copies of the Company's interim and annual reports and circulars as required by the Listing Rules. Annual general meetings provide a forum for shareholders to make comments and raise concerns and exchange views with the directors. Regular press conferences and briefings with analysts from investment sectors are set up from time to time to update them with performance of the Group. The Company's share registrar and transfer office serves the shareholders regarding registration matters. Upon listing of the Company on 21 March 2007, the Company has set up its own website www.cahworld.com as a mean to provide information on the Company to shareholders and investors and to communicate with them directly and effectively. Further, the Company's investor relations department is responsible for handling general public relation and investor relation matters.



As required by code provision E.1.2 of the Code, the chairman of the Board should attend annual general meetings and arrange for the chairman of the Audit, Nomination and Remuneration Committees or in the absence of the chairmen of such committees, other members of the committees or appointed delegates to be present at annual general meetings. Since the incorporation of the Company in November 2006, the Company did not hold any annual general meeting for the year under review. The Company will hold its first 2007 annual general meeting after listing on 22 May 2007.

The Company would adopt the practice to include details of the procedures for voting by poll and the rights of shareholders to demand a poll in the circulars to shareholders despatched together with the annual reports. The circulars would also include relevant details of the proposed resolutions, including the biography of each candidate standing for election and re-election. If a poll is to be demanded at a general meeting, the Company will announce the results of the voting by poll in accordance with the Listing Rules.

Based on the information that is publicly available to the Company and to the directors' best knowledge, the Company maintained the prescribed amount of public float from the date of listing up to the date of this annual report as required by the Listing Rules.

