

1. CORPORATE INFORMATION AND REORGANISATION

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 33rd Floor, Top Glory Tower, 262 Gloucester Road, Causeway Bay, Hong Kong.

Pursuant to a special resolution passed on 29 December 2006, the name of the Company was changed from Sino Vision Hong Kong Limited to China Agri-Industries Holdings Limited.

The Company has not carried out any business since its date of incorporation on 18 November 2006 except for incurring the deferred initial public offering expenses as set out in note 5 below and the acquisition of interests in subsidiaries pursuant to a reorganisation scheme as set out below.

In the opinion of the directors, the ultimate holding company of the Company is COFCO Limited (formerly known as China National Cereals, Oils & Foodstuffs Corporation) ("COFCO"), which is a state-owned enterprise established in the People's Republic of China.

The Company was incorporated in Hong Kong on 18 November 2006. Upon its incorporation, the Company had an authorised ordinary share capital of HK\$10,000 divided into 10,000 shares of HK\$1 each. One share of HK\$1 was issued at par to COFCO International Limited ("COFCO International"), the Company's then immediate holding company.

Pursuant to an ordinary resolution passed on 29 December 2006, the authorised and issued share capital of the Company were divided into 100,000 ordinary shares and 10 ordinary shares of HK\$0.1 each, respectively. Pursuant to a special resolution passed on the same date, the authorised share capital of the Company was increased from HK\$10,000 to HK\$400,000,000 by the creation of an additional 3,999,900,000 ordinary shares of HK\$0.1 each, ranking pari passu in all respects with the existing share capital of the Company.

Subsequent to the balance sheet date, on 10 January 2007, pursuant to a reorganisation scheme in preparation for the listing of the Company's shares on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company acquired from COFCO International the entire issued share capital in China Agri-Industries Limited ("China Agri-Industries"), the holding company of the subsidiaries as set out in note 19 to the combined financial statements, in consideration for the allotment and issue of 2,791,383,346 ordinary shares of HK\$0.1 each in the share capital of the Company, credited as fully paid. The Company then became the holding company of the companies now comprising the Group (the "Reorganisation").

Further details of the Reorganisation are set out in the Company's listing prospectus dated 8 March 2007 (the "Prospectus").

The shares of the Company were listed on the main board of the Stock Exchange on 21 March 2007.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which also include Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated. A cash flow statement has not been presented as the Company does not operate a bank or cash account or hold any cash equivalents and has had no cash transactions during the current period. Accordingly, in the opinion of the directors, the presentation of a cash flow statement would provide no additional useful information to the users of the financial statements.

2.2 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Company has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKAS 1 Amendment	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 <i>Financial Reporting in Hyperinflationary Economies</i>
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangements

HKAS 1 Amendment shall be applied for accounting periods beginning on or after 1 January 2007. This revised standard will affect the disclosures about qualitative information about the Company’s objective, policies and processes for managing capital; quantitative data about what the Company regards as capital; and compliance with any capital requirements and the consequences of any non-compliance.

HKFRS 7 shall be applied for accounting periods beginning on or after 1 January 2007. The standard requires disclosures that enable users of the financial statements to evaluate the significance of the Company’s financial instruments and the nature and extent of risks arising from those financial instruments and also incorporates many of the disclosure requirements of HKAS 32.

HK(IFRIC)-Int 7, HK(IFRIC)-Int 8, HK(IFRIC)-Int 9, HK(IFRIC)-Int 10 and HK(IFRIC)-Int 11 and HK(IFRIC)-Int 12 shall be applied for accounting periods beginning on or after 1 March 2006, 1 May 2006, 1 June 2006, 1 November 2006, 1 March 2007 and 1 January 2008, respectively.

The Company is in the process of making assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that while the adoption of HKAS 1 Amendment and HKFRS 7 may result in new or amended disclosures, these new and revised HKFRSs should not have any significant impact on the Company’s results of operations and financial position.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Related parties

A party is considered to be related to the Company if:

- (a) the party, directly or indirectly through one or more intermediaries, (i) controls or is under common control with the Company; or (ii) has an interest in the Company that gives it significant influence over the Company;
- (b) the party is a member of the key management personnel of the Company or its holding companies; or
- (c) the party is a close member of the family of any individual referred to in (a) or (b).

Financial liabilities at amortised cost

Financial liabilities including other payables and amounts due to group companies are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to the income statement.

Notes to the Financial Statements

31 December 2006

3. LOSS FOR THE PERIOD

The Company's loss for the period is arrived at after charging:

	Period from 18 November 2006 (date of incorporation) to 31 December 2006 HK\$'000
Directors' remuneration	—
Auditors' remuneration	2,550

4. TAX

No provision for Hong Kong profits tax has been made as the Company did not generate any assessable profits arising in Hong Kong during the period from 18 November 2006 (date of incorporation) to 31 December 2006.

5. DEFERRED INITIAL PUBLIC OFFERING EXPENSES

The deferred initial public offering expenses were incurred for the purpose of the Company's new listing. Subsequent to the listing of the Company's shares on the Stock Exchange on 21 March 2007, the whole amount has been charged to the Company's share premium account.

6. SHARE CAPITAL

Shares

	HK\$'000
Authorised:	
4,000,000,000 ordinary shares of HK\$0.1 each	400,000
Issued and fully paid:	
10 ordinary shares of HK\$0.1 each	—

6. SHARE CAPITAL (continued)

Shares (continued)

The following changes in the Company's authorised and issued share capital took place during the period from 18 November 2006 (date of incorporation) to 31 December 2006, and subsequent to the balance sheet date up to 21 March 2007 and 30 March 2007, the dates of completion of the initial public offering and the exercise of an over-allotment option, respectively:

	Notes	Number of ordinary shares	Nominal value of ordinary shares HK\$'000
Authorised:			
Upon incorporation (10,000 shares of HK\$1 each)		10,000	10
Subdivision of each authorised share of HK\$1 into ten shares of HK\$0.1 each	(i)	90,000	—
		100,000	10
Increase in authorised capital	(ii)	3,999,900,000	399,990
As at 31 December 2006 and as at 21 March 2007, completion of initial public offering		4,000,000,000	400,000
Issued:			
Upon incorporation (1 share of HK\$1)		1	—
Subdivision of each issued share of HK\$1 into ten shares of HK\$0.1 each	(i)	9	—
As at 31 December 2006		10	—
On acquisition of China Agri-Industries	(iii)	2,791,383,346	279,138
Issue of new shares	(iv)	697,846,000	69,785
As at 21 March 2007, upon completion of initial public offering		3,489,229,356	348,923
Issue of new shares	(v)	104,677,000	10,468
As at 30 March 2007, upon exercise of an over-allotment option		3,593,906,356	359,391

6. SHARE CAPITAL (continued)

Shares (continued)

Notes:

- (i) Pursuant to an ordinary resolution passed on 29 December 2006, the authorised and issued share capital of the Company were divided into 100,000 ordinary shares and 10 ordinary shares of HK\$0.1 each, respectively.
- (ii) Pursuant to a special resolution passed on 29 December 2006, the authorised capital of the Company was increased from HK\$10,000 to HK\$400,000,000 by the creation of an additional 3,999,900,000 ordinary shares of HK\$0.1 each, ranking *pari passu* in all respects with the existing share capital of the Company.
- (iii) On 10 January 2007, pursuant to the Reorganisation, the Company acquired from COFCO International the entire issued share capital in China Agri-Industries in consideration for the allotment and issue of 2,791,383,346 ordinary shares of HK\$0.1 each in the share capital of the Company, credited as fully paid.
- (iv) In connection with the Company's initial public offering, 697,846,000 shares of HK\$0.1 each were issued at a price of HK\$3.72 per share for a total cash consideration, before expenses, of approximately HK\$2,595,987,000. Dealings in these shares on the Stock Exchange commenced on 21 March 2007.
- (v) In connection with the Company's initial public offering, an over-allotment option was granted to the Global Coordinator (as defined in the Prospectus) whereby the Global Coordinator, on behalf of the International Purchasers (as defined in the Prospectus), has the right to request the Company to issue and allot up to an aggregate of 104,677,000 additional shares of HK\$0.1 each to subscribers under the initial public offering. On 26 March 2007, the Global Coordinator had exercised the over-allotment option and accordingly, 104,677,000 new shares of HK\$0.1 each was issued by the Company at a price of HK\$3.72 per share for a total cash consideration, before expenses, of approximately HK\$389,398,000. Dealings in these shares on the Stock Exchange commenced on 30 March 2007.

Share options

Details of the Company's share option scheme are included in note 7 to the financial statements.

7. SHARE OPTION SCHEME

Subsequent to the balance sheet date, on 12 January 2007, the Company conditionally adopted a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's directors, including independent non-executive directors and other employees of the Group. 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 that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

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 the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than five years from the date of offer of the share options or the expiry date of the Scheme, if earlier.

The exercise price of share options is determinable by the 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; and (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer.

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

8. RELATED PARTY TRANSACTIONS

Outstanding balances with related parties

The balances due to a fellow subsidiary and the immediate holding company represent the initial public offering expenses and other expenses paid on behalf of the Company. The fellow subsidiary and the immediate holding company subsequently became a direct wholly-owned subsidiary and a fellow subsidiary of the Company, respectively, after the Reorganisation as set out in note 1 to the financial statements.

Notes to the Financial Statements

31 December 2006

9. POST BALANCE SHEET EVENTS

Save as disclosed in notes 1, 6, 7 and 8 to the financial statements in relation to the Reorganisation and the share option scheme, the Company did not have any other significant post balance sheet events.

10. COMPARATIVE AMOUNTS

Since this is the first set of financial statements of the Company since its incorporation, no comparative amount is presented accordingly.

11. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 19 April 2007.