



NING Gaoning, Chairman

“The buoyant economy coupled with burgeoning food and energy sector in China will be the growth engines of our company. We are investing aggressively in selected businesses to pave the way for our future growth.”

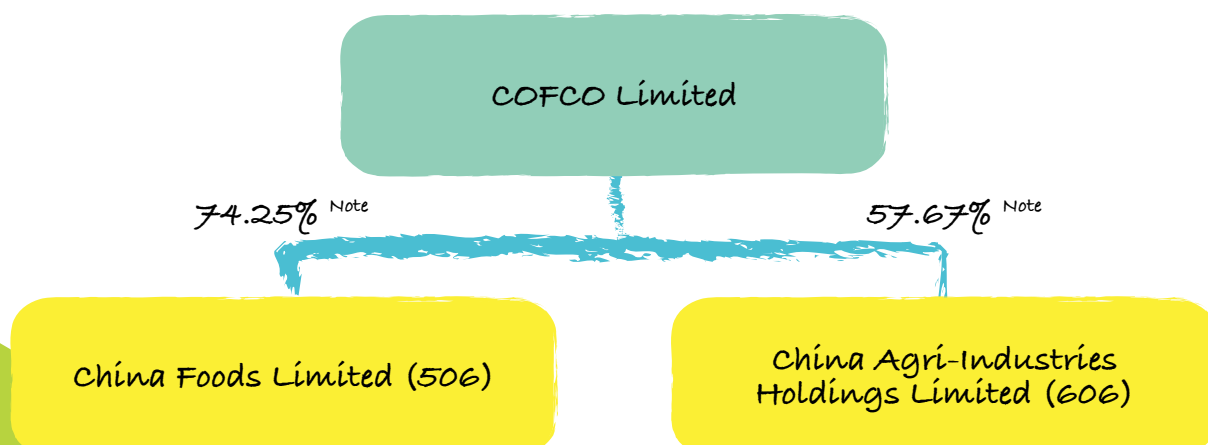
Chairman's Statement

I am pleased to present to all shareholders the second annual report of the Company and its subsidiaries for the year ended 31 December 2007. The Group was spun off from China Foods Limited (“**China Foods**”, formerly known as “**COFCO International Limited**”) and subsequently listed on the main board of the Stock Exchange on 21 March 2007. After our initial public offering (“**IPO**”), China Foods becomes our sister company as illustrated in the following diagrams.

After reorganisation but before spin-off



After spin-off and global offering



Note: held through COFCO (Hong Kong) Limited and its associates.

RESULTS

During the year under review, the Group's combined revenue for continuing operations was HK\$28,869 million for 2007, representing an increase of approximately 61% from last year. Profit attributable to equity holders of the Company amounted to approximately HK\$1,100 million, representing a 46% rise over 2006. Basic earnings per share were HK32.2 cents, an increase of 19% over a year earlier.

STRATEGY AND PROSPECTS

The purpose of the reorganisation and the spin-off as described above is to create two individual flagship businesses, solely focusing on agricultural processing and consumer branded products respectively. China Agri is set to emerge as one of the largest integrated agricultural and food processors in the PRC. We pledge to provide high quality products to our customers at reasonable prices.

The ambitious biofuel expansion plan of the United States and the increasing demand of agricultural products from emerging countries lead to constant rise in global soft commodity prices. Surging raw material costs place pressure to food processors as well as end consumers and food security has turned to become the top priority of every major economy. To tackle this issue, we are seeking various ways to strengthen our raw material sourcing ability and adopting all possible measures to alleviate cost pressure from our production. We are dedicated to share the benefits and savings with our valuable customers in a bid to enhance our competitiveness.

The commencement of our tapioca-based fuel ethanol plant at Guangxi province marked a key milestone to both our company and China. Not only because it is the first non-grain feedstock production line in China or it is going to reinforce our foothold in the fuel ethanol industry, it demonstrates our commitment to the biofuel sector. Our early decision to invest in this plant diversified our key raw materials from corn to tapioca and mitigated the policy risk triggered by food inflation. We expect non-grain feedstock, namely tapioca, sweet potato and sweet sorghum, will be widely used for our future biofuel production. Since cellulosic ethanol technology is recognised as the ultimate solution of fuel ethanol production, we will continue to devote resources to develop this technology.

Despite challenges ahead, we remain cautiously optimistic. The buoyant economy coupled with burgeoning food and energy sector in China will be the growth engines of the Company. We are investing aggressively in selected businesses to pave the way for our future growth and the induction of biochemical business, which produces and distributes corn starch and sweeteners, is expected to improve the profitability of China Agri in the near term.



APPRECIATION

On behalf of the board (the “**Board**”) of directors of the Company (the “**Directors**”), I would like to take this opportunity to extend my gratitude to all shareholders, customers, business partners for their generous support and trust, and to the management and all the staff for their dedication and hard work over the year.

NING Gaoning

Chairman

Hong Kong, 16 April 2008

