Report of the Directors

The directors of the Company ("Directors") are pleased to present this annual report and the audited financial statements of the Company and the Group for the year ended 31 December 2008.

Corporate information

The Company was incorporated with limited liability in Hong Kong on 18 November 2006. Pursuant to a shareholders' 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 and became effective on 9 January 2007.

The shares of the Company ("Shares") commenced listing on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 21 March 2007.

Principal activities

The principal activity of the Company is investment holding. The principal activities of the subsidiaries and associates of the Company comprise production, processing and distribution of agricultural products and related businesses. The Group's principal products and businesses are oilseed processing, rice trading and processing, biofuel and biochemical, brewing materials and wheat processing. There were no significant changes in the nature of the Group's principal activities during the year.

Results and dividends

The results of the Group for the year ended 31 December 2008 and the state of affairs of the Company and the Group as at that date are set out in the financial statements on pages 90 to 160.

The Board recommended the payment of final dividend of HK13.6 cents per ordinary share (2007: nil) for the financial year ended 31 December 2008 to the shareholders of the Company whose names appear on the register of members on Tuesday, 9 June 2009.

The recommended final dividend is subject to the approval of the Company's shareholders at the forthcoming annual general meeting for payment on or around Friday, 19 June 2009.

Financial information summary

A summary of the results and assets, liabilities and minority interests of the Group for the last five financial years, is set out on page 4 of this annual report. This summary does not form part of the audited financial statements.

Property, plant and equipment

Details of movements in property, plant and equipment of the Company and the Group during the year are set out in note 14 to the financial statements.

Share capital

Details of movements in the Company's share capital during the year, together with the reasons therefore, are set out in note 29 to the financial statements.

Share option scheme

The Company conditionally adopted a share option scheme on 12 January 2007 which became effective and unconditional upon listing of the Shares on 21 March 2007 (the "Scheme"). The principal terms of the Scheme are as follows:

1. **Purpose of the Scheme**
   To attract, retain and motivate senior management personnel and key employees of the Company, and provide the eligible participants with an opportunity to acquire proprietary interests in the Company and to encourage the eligible participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole.

2. Participants in the Scheme

Participants in the Scheme mean: (i) any executive or non-executive directors of any members of the Group; (ii) any senior executives, key technical staff, professional staff, managers, or employees of any members of the Group; or (iii) any other individuals as may be proposed by the board. For the avoidance of any doubt, participants do not include independent non-executive Directors.

3. Total number of shares available for issue under the Scheme

The maximum number of shares which may be issued upon exercise of all share options to be granted under the Scheme and under any other share option schemes of our Company (if any) is in the aggregate equal to 10% of the total number of shares in issue on the date on which dealings in the shares commence on the Stock Exchange (the "Scheme Mandate Limit"), subject to the renewal of the same by prior shareholders' approval, provided always that the Scheme Mandate Limit shall not exceed 10% of the number of shares in issue as at the date of the relevant approval. As at the date of this annual report, if all options which had been granted under the Scheme have been exercised a total of 27,370,000 shares (representing approximately 0.76% of the existing issued share capital of the Company) may be issued by the Company.

4. Maximum entitlement of each participant under the Scheme

The total number of Shares issued and to be issued upon exercise of the options granted to any grantee (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the Shares in issue (the "Individual Limit") at the relevant time. Any further grant of options in excess of the Individual Limit shall be subject to shareholders' approval, with such grantee and his associates abstaining from voting.

5. The period within which the shares must be taken up under an option

The Directors may in their absolute discretion determine the period during which an option may be exercised and notify the grantee, save that in any event such period of time shall not exceed a period of 7 years, commencing on the date of acceptance of the option and expiring on the last date of such 7 year period, subject to the provisions for early termination thereof contained in the Scheme.

6. Minimum period for which an option must be held before it can be exercised

An option must be held for a minimum period of two years, from the date on which it was granted of before it can be exercised. In addition, an option shall be subject to the following vesting schedule ("Vesting Periods"):

Periods	Percentage of an option which may be exercised
Upon and after the second anniversary of the grant but no later than the third anniversary of the grant	33%
Upon and after the third anniversary of the grant but no later than the fourth anniversary of the grant	67%
Upon and after the fourth anniversary of the grant	100%

7. **Time of acceptance and the amount payable on acceptance of the option**
The offer of an option made pursuant to the Scheme may be accepted within 28 days from the date of the offer, and the amount payable on acceptance of the option is HK$1.00.

8. **The basis for determining the exercise price**
The exercise price shall be determined by the Board and shall be the higher of;

(a) the closing price of the Shares as stated in the daily quotation sheets issued by the Stock Exchange on the date of the offer;

(b) the average closing prices of the Shares as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the date of the offer; or

(c) the nominal value of a Share.

9. **The remaining life of the Scheme**
The Scheme is valid until 20 March 2017.

10. **Movement of Share options**
Details of the movements in the share options during the year ended 31 December 2008 are as follows:

					Number of share options			
	Category of participant	Date of grant	Exercise period *(note 1)*	Exercise price *HK$*	At 1 January 2008	Lapsed during the year	Exercised during the year	At 31 December 2008
(A)	Directors							
	Ning Gaoning	7 August 2007	7 August 2009 to 6 August 2014	4.666	700,000	–	–	700,000
	Yu Xubo	7 August 2007	7 August 2009 to 6 August 2014	4.666	700,000	–	–	700,000
	Lu Jun	7 August 2007	7 August 2009 to 6 August 2014	4.666	650,000	–	–	650,000
	Yue Guojun	7 August 2007	7 August 2009 to 6 August 2014	4.666	650,000	–	–	650,000
	Chi Jingtao	7 August 2007	7 August 2009 to 6 August 2014	4.666	600,000	–	–	600,000
	Ma Wangjun	7 August 2007	7 August 2009 to 6 August 2014	4.666	600,000	–	–	600,000
				Subtotal:	**3,900,000**	**–**	**–**	**3,900,000**
(B)	Employees of the Group	7 August 2007	7 August 2009 to 6 August 2014	4.666	23,700,000	(230,000)	–	23,470,000
				Total:	**27,600,000**	**(230,000)**	**–**	**27,370,000**

Notes:

1. *The exercise period for the share options granted to each employee of the Group and Director lasts for 5 years, commencing from the second anniversary of the date of acceptance of the offer by the respective employees and Directors and subject to the Vesting Periods.*

2. *The closing price of the Shares immediately before the date on which the share options disclosed above were granted (that is, 6 August 2007) was HK$4.50. During the year, 230,000 share options lapsed. Save as disclosed above, no share options were granted, exercised, lapsed or cancelled during the year.*

3. *Additional information in relation to the Scheme is set out in note 30 to the financial statements.*

Reserves

Details of movements in the reserves of the Company and the Group during the year are set out in note 31 to the financial statements and in the consolidated statement of changes in equity on page 93 of this annual report.

Distributable reserves

As at 31 December 2008, the Company's reserves available for distribution, calculated in accordance with the provisions of section 79B of the Companies Ordinance, laws of Hong Kong, amounted to approximately HK$1,445.4 million. In addition, the Company's share premium account in the amount of approximately HK$2,746.3 million may be distributable in the form of fully paid bonus shares.

Major customers and suppliers

The five largest customers of the Group accounted for approximately 15% of the total sales for the year. The five largest suppliers of the Group accounted for approximately 34% of the Group's total purchases for the year, with the largest supplier accounting for approximately 21%.

Apart from the continuing connected transactions with its controlling shareholder, COFCO Limited ("COFCO") and its subsidiaries (other than the Company), and with Archer Daniels Midland Company (a connected person of the Company), as disclosed in the section "Continuing Connected Transactions" below, none of the Directors or any of their associates or any shareholder (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any interest in the five largest customers or suppliers of the Group.

Directors

The Directors during the year and up to the date of this report were:

Chairman and Non-executive Director
Ning Gaoning

Executive Directors:
Yu Xubo
Lu Jun
Yue Guojun

Non-executive Directors:
Chi Jingtao
Ma Wangjun

Independent Non-executive Directors:
Lam Wai Hon, Ambrose
Victor Yang
Patrick Vincent Vizzone

In accordance with Article 106 of the articles of association of the Company ("Articles of Association"), Mr. Ning Gaoning, Mr. Lu Jun and Mr. Victor Yang will retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

The non-executive Directors are appointed with a specific term of three years but are subject to retirement by rotation as required by the Articles of Association.

Directors' and senior management's biographies

Biographical details of the Directors and the senior management of the Group are set out on pages 66 to 69 of this annual report.

Directors' service contracts

No Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not terminable by the Company within one year without payment of compensation, other than statutory compensation.

Directors are subject to retirement by rotation at least every three years as required by the Articles of Association.

Directors' interests in contracts

No Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, or any of its holding companies, subsidiaries or fellow subsidiaries was a party during the year.

Directors' remuneration

The Directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Remuneration Committee pursuant to the Articles of Association with reference to market conditions, directors' duties, responsibilities and performance and the results of the Group.

Management contracts

No contracts for management or administration of the whole or any substantial part of any business of the Company were entered into or existing during the year.

Convertible securities, options, warrants or similar rights

Save as disclosed in the paragraph headed "Share Option Scheme" above, the Company had no other outstanding options, convertible securities, warrants or other similar rights as at 31 December 2008.

Directors' interests and short positions in shares, underlying shares and debentures

As at 31 December 2008, the interests and short positions of the Directors in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or were deemed to have under such provisions of the SFO), or which are required, pursuant to section 352 of the SFO, to be entered in the register to be kept by the Company, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") (together, "Discloseable Interests") were as follows:

Interest in underlying shares of the Company

Name of Director	Capacity	Number of share options held in long position	Number of underlying shares held	Approximate percentage of the issued share capital of the Company as at 31 December 2008
Ning Gaoning	Beneficial owner	700,000	700,000	0.02%
Yu Xubo	Beneficial owner	700,000	700,000	0.02%
Lu Jun	Beneficial owner	650,000	650,000	0.02%
Yue Guojun	Beneficial owner	650,000	650,000	0.02%
Chi Jingtao	Beneficial owner	600,000	600,000	0.02%
Ma Wangjun	Beneficial owner	600,000	600,000	0.02%

Interest in shares of the Company

Name of Director	Capacity	Number of shares held in long position	Approximate percentage of the issued share capital of the Company as at 31 December 2008
Patrick Vincent Vizzone	Beneficial owner	80,000	0.00%

Note:

1. *The percentages are calculated based on the total number of shares of the Company in issue as at 31 December 2008, i.e., 3,593,906,356 shares.*

Details of the Directors' interests in share options granted by the Company are set out on page 72 under the heading "Movement of Share Options".

Save as disclosed above, none of the Directors, chief executives or their respective associates have any other Discloseable Interests in the Company.

Interest in underlying shares of associated corporation

Name of Director	Name of associated corporation	Capacity	Number of share options held in long position	Number of underlying shares held	Approximate percentage of the issued share capital of the Company as at 31 December 2008
Ning Gaoning	China Foods Limited	Beneficial owner	880,000	880,000	0.03%

Notes:

1. *The options were granted on 27 September 2007, and the exercise price is HK$4.952 per share.*
2. *The exercise period of the options ranges from 27 September 2009 to 26 September 2014.*
3. *The percentage is calculated based on the total number of shares of China Foods Limited in issue as at 31 December 2008, i.e., 2,791,383,356 shares.*

Save as disclosed above, none of the Directors, chief executives or their respective associates had any other Discloseable Interests in the Company's associated corporations.

Substantial shareholders' and other persons' interests in the shares and the underlying shares

As at 31 December 2008, to the knowledge of the Directors, the following persons (other than the Directors) had an interest or short position in the Shares and underlying shares of the Company which would be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company under section 336 of the SFO:

Substantial shareholders	Capacity	Number of Shares held	*Notes*	Approximate percentage of the issued share capital of the Company as at 31 December 2008 *Note(4)*
Wide Smart Holdings Limited ("Wide Smart")	Beneficial owner	1,922,550,331	(1)	53.49%
COFCO (BVI) No. 108 Limited ("COFCO BVI")	Beneficial owner	140,000,000	(1)	3.90%
COFCO (Hong Kong) Limited ("COFCO (HK)")	Beneficial owner	10,138,000	(1)	0.28%
	Interest of controlled corporations	2,062,550,331	(1) & (2)	57.39%
COFCO Limited	Interest of controlled corporations	2,072,688,331	(1) & (3)	57.67%

Notes:

(1) Long positions in the Shares.

(2) COFCO (HK) is deemed to be interested in the 2,062,550,331 Shares in aggregate held by Wide Smart and COFCO BVI, as COFCO (HK) is entitled to control the exercise of or exercise one-third or more of the voting power at general meetings of Wide Smart and COFCO BVI.

(3) COFCO is deemed to be interested in the 2,072,688,331 Shares in aggregate held by Wide Smart, COFCO BVI and COFCO (HK), as COFCO is entitled to control the exercise of or exercise one-third or more of the voting power at general meetings of Wide Smart, COFCO BVI and COFCO (HK).

(4) The percentages are calculated based on the total number of shares of the Company in issue as at 31 December 2008, i.e., 3,593,906,356 Shares.

Save as disclosed above, as at 31 December 2008, so far as was known to the Directors, no other persons had an interest or short position in the Shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company under section 336 of the SFO.

Sufficiency of public float

Based on the information that is publicly available to the Company and to the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

Continuing connected transactions

During the reporting period, the Company and its subsidiaries entered into various transactions with certain connected persons. These transactions are considered to be continuing connected transactions under the Listing Rules, which need to be disclosed herein in compliance with the requirements under Chapter 14A of the Listing Rules or the waivers previously granted by the Stock Exchange.

Details of these transactions are as follows:

1. Mutual Supply of Materials and Ancillary Services

   China Agri-Industries Limited, a wholly-owned subsidiary of the Company, and COFCO entered into an agreement on 8 December 2006 and a supplementary agreement on 12 January 2007 (the "COFCO Mutual Supply Agreement"), to regulate the relationship between COFCO and its subsidiaries (other than the Company and China Foods Limited ("China Foods")) collectively referred to as "COFCO Group" and the Group in respect of the mutual supply of raw materials and products as well as ancillary equipment and services.

   During the reporting period, the aggregate value of raw materials and ancillary equipment and services supplied by COFCO Group to the Group, including soybeans, palm oil, oil tanks, wheat, white rice, barley and other relevant products as well as logistics and support services, was approximately RMB9,720.49 million, while the aggregate value of products supplied by the Group to COFCO Group, including bulk edible oil, soybean feed, soybean meal, alcohol and rice husk powder, malt, feed and other relevant products as well as logistics and support services, was approximately RMB 1,290.61 million.

   As the COFCO Mutual Supply Agreement expired on 31 December 2008, the Company entered into the New COFCO Mutual Supply Agreement on 21 November 2008. Pursuant to the New COFCO Mutual Supply Agreement, the Group and COFCO Group will mutually supply raw materials, products, finance, logistics, agency and other related services. The New COFCO Mutual Supply Agreement is for a term commencing from 1 January 2009 to 31 December 2011.

   Annual caps for the three years ending 31 December 2011 under the New COFCO Mutual Supply Agreement are set. For details, please refer to the announcement issued by the Company on 21 November 2008.

   According to the Listing Rules, COFCO is the controlling shareholder of the Company, thus, each of the members of COFCO Group is a connected person of the Company.

2. Supply and Packaging of Consumer-pack Edible Oil

   China Foods and China Agri-Industries Limited entered into a supply and packaging agreement on 8 October 2006 and a supplementary agreement on 12 January 2007 ("Supply and Packaging Agreement"), pursuant to which certain members of the Group supplied oil to China Foods and its subsidiaries in consumer packs.

   During the reporting period, the aggregate value of the consumer-pack oil supplied by the Group to China Foods and its subsidiaries was approximately RMB3,213.96 million.

   As the Supply and Packaging Agreement expired on 31 December 2008, the Company and China Foods entered into the China Foods Supply Agreement on 21 November 2008. Pursuant to the China Foods Supply Agreement, the Company and its associates will supply raw materials, products, logistics and other services to China Foods and its subsidiaries with reference to the prevailing market price at the relevant time or at a negotiated price based on the market price. The China Foods Supply Agreement is for a term commencing from 1 January 2009 to 31 December 2011.

   Annual caps for the three years ending 31 December 2011 under the China Foods Supply Agreement are set. For details, please refer to the announcement issued by the Company on 21 November 2008.

   According to the Listing Rules, China Foods is a subsidiary of COFCO; thus, China Foods and its associates are connected persons of the Company.

3. Mutual Supply with Wilmar

Wilmar Holdings Pte Ltd. ("Wilmar Holdings") and China Agri-Industries Limited entered into an agreement on 8 December 2006 and a supplementary agreement on 12 January 2007 (the "Oil-related Mutual Supply Agreement"), pursuant to which Wilmar Holdings and its subsidiaries ("Wilmar Holdings Group") supplied products to the Group, including bulk edible oil, refined edible oil and packaging materials, and the Group supplied products to Wilmar Holdings Group, including bulk edible oil, soybean meal and feed, and packaging materials.

During the reporting period, the aggregate value of the products supplied by Wilmar Holdings Group to the Group was approximately RMB 758.57 million. The aggregate value of the products supplied by the Group to Wilmar Holdings Group was approximately RMB 539.75 million.

As the Oil-related Mutual Supply Agreement expired on 31 December 2008, on 21 November 2008, Wilmar International Limited ("Wilmar International") and the Company entered into the Wilmar Mutual Supply Agreement. Pursuant to the Wilmar Mutual Supply Agreement, Wilmar International and its subsidiaries ("Wilmar International Group") and the Group will mutually supply raw materials, products, logistics and other related services. The term of the Wilmar Mutual Supply Agreement is from 1 January 2009 to 31 December 2011.

Annual caps for the three years ending 31 December 2011 under the Wilmar Mutual Supply Agreement are set. For details, please refer to the announcement issued by the Company on 21 November 2008.

According to the Listing Rules, Wilmar Holdings is a substantial shareholder of the Company's subsidiary; therefore, Wilmar Holdings and its associates are connected persons of the Company. Wilmar Holdings holds a 48.51% shareholding in Wilmar International, and therefore, Wilmar International is an associate of Wilmar Holdings and a connected person of the Company.

4. Mutual Supply with Dezhou Grains

Shandong COFCO Lude Foods Co., Ltd. (山東中糧魯德食品有限公司) (now known as (中糧麵業德州有限公司))("COFCO Lude") and Shandong Dezhou Grains & Oils Group Corporation (山東省德州糧油集團總公司) ("Dezhou Grains") entered into a wheat purchase agreement on 8 December 2006 and a supplementary agreement on 12 January 2007 (the "Lude Mutual Supply Agreement"), pursuant to which COFCO Lude will purchase wheat from certain subsidiaries of Dezhou Grains.

During the reporting period,, the aggregate expenditure for the wheat purchased by COFCO Lude from certain subsidiaries of Dezhou Grains was RMB14.70 million.

As the Lude Mutual Supply Agreement expired on 31 December 2008, Dezhou Grains and the Company entered into the New Lude Mutual Supply Agreement on 21 November 2008. The Group and Dezhou Grains and its associates will mutually supply raw materials and products with reference to the prevailing market price at the relevant time or negotiated price based on the market price. The New Lude Supply Agreement is for a term commencing from 1 January 2009 to 31 December 2011.

Annual caps for the three years ending 31 December 2011 under the New Lude Mutual Supply Agreement are set. For details, please refer to the announcement issued by the Company on 21 November 2008.

According to the Listing Rules, Dezhou Grains is a substantial shareholder of a subsidiary of the Company and a connected person of the Company.

5. Mutual Supply with No.2 Storage

Shenyang Xiangxue Flour Limited Liability Company (瀋陽香雪麵粉股份有限公司) ("Xiangxue") and Shenyang No. 2 Grains Storage Depot (瀋陽市第二糧食收儲庫) ("No. 2 Storage") entered into a wheat purchase agreement on 8 December 2006 as well as a supplementary agreement on 12 January 2007 (the "No. 2 Storage Mutual Supply Agreement"), to regulate the relationship between the parties in respect of wheat purchases.

During the reporting period, the aggregate expenditure for the wheat purchased by Xiangxue from No. 2 Storage was RMB0.97 million.

As the No. 2 Storage Mutual Supply Agreement expired on 31 December 2008, Dezhou Grains and the Company entered into the New No. 2 Storage Mutual Supply Agreement on 21 November 2008. The Group and No. 2 Storage and its associates will mutually supply raw materials and products with reference to the prevailing market price at the relevant time or at a negotiated price based on the market price. The New No. 2 Storage Mutual Supply Agreement is for a term commencing from 1 January 2009 to 31 December 2011.

Annual caps for the three years ending 31 December 2011 under the New No. 2 Storage Mutual Supply Agreement are set. For details, please refer to the announcement issued by the Company on 21 November 2008.

According to the Listing Rules, No. 2 Storage is a substantial shareholder of a subsidiary of the Company and a connected person of the Company.

6. COFCO ADM Mutual Supply Agreement

On 28 February 2008, COFCO ADM Oils & Grains Industries (Heze) Co., Ltd. (中粮艾地盟粮油工业(菏澤)有限公司) ("COFCO ADM"), and the Company entered into the COFCO ADM Mutual Supply Agreement, to regulate the mutual supply relationship between the Group (other than COFCO ADM) and COFCO ADM in respect of the mutual supply of raw materials, products and ancillary equipment and services.

During the reporting period, the aggregate expenditures of the Group in purchases of products and services provided by COFCO ADM was approximately RMB 18.83 million, and the aggregate revenues of the Group in supplies of products and services to COFCO ADM was approximately RMB 770.17 million.

As the ADM Mutual Supply Agreement expired on 31 December 2008, the Company and COFCO ADM entered into the New COFCO ADM Mutual Supply Agreement on 21 November 2008. The parties to the New COFCO ADM Mutual Supply Agreement will mutually supply edible oils, oilseeds, oilseeds meal, packaging materials, packaging services, finance, and other related materials and services with references to the prevailing market price at the relevant time or at a negotiated price based on the costs of products and services provided. The New COFCO ADM Mutual Supply Agreement is for a term commencing from 1 January 2009 to 31 December 2011.

Annual caps for the three years ending 31 December 2011 under the New COFCO ADM Mutual Supply Agreement are set. For details, please refer to the announcement issued by the Company on 21 November 2008.

According to the Listing Rules, ADM is a substantial shareholder of certain of our subsidiaries, and therefore, a connected person of the Company. As ADM holds a 30% equity interest in COFCO ADM through a trust arrangement, COFCO ADM is an associate of ADM, and therefore, is a connected person of the Company.

7. Lease of properties

On 27 June 2008, COFCO Eastbay Oils & Fats Industries (Guangzhou) Co., Ltd. ("Eastbay"), and Zhangjiagang CPMC Co., Ltd. ("Zhangjiagang CPMC"), entered into a lease agreement (the "Eastbay Lease Agreement") for a period of two years, in order to lease the properties owned by Eastbay to Zhangjiagang CPMC for production in relation to its steel barrel businesses. The monthly rental is RMB0.36 million, which was determined on normal commercial terms by reference to current market values.

On 27 June 2008, East Ocean Oils & Grains Industries (Zhangjiagang) Co., Ltd. ("East Ocean"), and Zhangjiagang CPMC entered into a lease agreement (the "East Ocean Lease Agreement") for a period of two years, in order to lease the properties owned by East Ocean to Zhangjiagang CPMC for production in relation to its steel barrel and rectangular can business. The monthly rental is RMB0.22 million, which was determined on normal commercial terms by reference to current market values.

According to the Listing Rules, COFCO is the controlling shareholder of the Company. Zhangjiagang CPMC, a wholly owned subsidiary of COFCO, is, therefore, a connected person of the Company.

8. Supply Agreement

On 27 June 2008, the Company entered into a framework supply agreement with CPMC (Hong Kong) Limited (the "Supply Agreement"). Under the Supply Agreement, the subsidiaries of CPMC (Hong Kong) Limited shall supply to the Group steel barrels and rectangular cans at the prevailing market price for a term of three years. The Supply Agreement was entered into on normal commercial terms and can be renewed by mutual agreement between both parties. The proposed annual caps for the three years ending 31 December 2010 under the Supply Agreement are set. For details, please refer to the announcement issued by the Company on 27 June 2008.

According to the Listing Rules, CPMC (Hong Kong) Limited is wholly-owned by COFCO and therefore is a connected person of the Company.

9. ADM Mutual Supply Agreement

On 20 August 2008, the Company and ADM entered into the ADM Mutual Supply Agreement, in respect of the mutual supply of the raw materials and products, including soybeans, palm oil, wheat, white rice, brewing materials and other relevant products, as well as relevant logistics and services (the "ADM Products"), between the Group and ADM Group.

During the reporting period, the aggregate expenditures of the Group for purchases of ADM Products provided by ADM Group was approximately RMB 1,830.62 million, and the aggregate revenues of the Group from supplies of ADM Products to ADM Group was approximately RMB 133.30 million.

As the ADM Mutual Supply Agreement expired on 31 December 2008, the Company and ADM entered into the New ADM Mutual Supply Agreement on 21 November 2008. ADM products will be mutually supplied between the Group and ADM Group. The prices of the ADM Products to be supplied shall be determined by taking the market prices of equivalent products and other market conditions at the relevant period of time into consideration. The New ADM Mutual Supply Agreement is for a term commencing from 1 January 2009 to 31 December 2011.

Annual caps for the three years ending 31 December 2011 under the New ADM Mutual Supply Agreement are set. For details, please refer to the announcement issued by the Company on 21 November 2008.

According to the Listing Rules, ADM is a substantial shareholder of certain of our subsidiaries, and, therefore, a connected person of the Company.

10. Starch Supply Agreement

Anhui BBCA Biochemical Co. Ltd. (安徽豐原生物化學股份有限公司) ("Anhui BBCA") and Jilin COFCO Bio-Chem & Bio-Energy Marketing Co., Ltd. (吉林中糧生化能源銷售有限公司)("Jilin COFCO BCBE Marketing"), entered into the Starch Supply Agreement on 17 November 2008, for the supply of starch-derived or starch-related products (the "Starch Products") by Jilin COFCO BCBE Marketing to Anhui BBCA.

Pursuant to the Starch Supply Agreement, Jilin COFCO BCBE Marketing has agreed to supply the Starch Products to Anhui BBCA. The Starch Supply Agreement is effective from 17 November 2009 and expired on 31 December 2008.

During the reporting period,, the aggregate expenditure for supply of Starch Products by Jilin COFCO BCBE Marketing to Anhui BBCA was RMB7.82 million.

11. Jilin Packing Supply Agreement

On 26 September 2008, Jilin COFCO Bio-chemical Co., Ltd. (吉林中糧生化有限公司)("COFCO Bio-chemical"), a wholly-owned subsidiary of COFCO (HK), and China Resources (Jilin) Bio-Chemical Co., Ltd. (吉林華潤生化股份有限公司)("Jilin Bio-chemical"), entered into the SPA, whereby COFCO Bio-chemical, directly or indirectly, acquired, among other things, the interest of Jilin China Resources Packaging Co., Ltd. (吉林華潤生化包裝有限公司)("Jilin Packaging"), from Jilin Bio-chemical. The acquisition of the interest of Jilin Packaging was completed on 17 October 2008.

On 1 January 2008, the Company and Jilin Packaging entered into a packing supply agreement (the "Jilin Packaging Supply Agreement"). Pursuant to the Jilin Packaging Supply Agreement, Jilin Packaging has agreed to supply products and services (the "Packaging Products and Services") to the Group and its associates.

The Packaging Products and Services shall be provided with reference to the prevailing market prices at the relevant time. When such market prices are not available, the parties shall negotiate the prices for the Packaging Products and Services based on their reasonable costs. The Jilin Packaging Supply Agreement is effective from 1 January 2008 and will end on 31 December 2012.

According to the Listing Rules, COFCO (HK) is a controlling shareholder of the Company and is, therefore, a connected person of the Company. As an associate of COFCO (HK), Jilin Packaging became, upon completion of the acquisition of the interest of Jilin Packaging, a connected person of the Company for the purposes of the Listing Rules.

12. East Ocean Supply Agreement

On 13 November 2008, ADM Asia Pacific has transferred its 22% equity interest in COFCO East Ocean Oils & Grains Industries (Zhangjiagang) Co., Ltd.(中糧東海糧油工業(張家港)有限公司)("East Ocean"), to Kenspot International Pte Limited ("Kenspot International"), and immediately following such equity transfer, Kenspot International holds, in the aggregate, 44% equity interest in East Ocean. Kenspot International is a wholly-owned subsidiary of Wilmar International, a connected person of the Company under the Listing Rules, and Kenspot International is, therefore, also a connected person of the Company under the Listing Rules. Immediately following the equity transfer, East Ocean became an associate of the Kenspot International and a connected person of the Company for the purposes of the Listing Rules.

On 1 January 2008, the Company and East Ocean entered into a supply agreement (the "East Ocean Supply Agreement"). Pursuant to the East Ocean Supply Agreement, East Ocean Group has agreed to supply to the Group soybeans, oilseeds, oils and soybean meal products, wheat, rice and their related products, financing and services, and the Group has agreed to supply to the East Ocean Group soybeans, oilseeds, oils and soybean meal products, wheat, rice and their related products, financing and services, with reference to the prevailing market prices at the relevant time. When such market prices are not available, the parties shall negotiate the prices for the products and services based on their reasonable costs. The East Ocean Supply Agreement is effective from 1 January 2008 and will end on 31 December 2012.

13. Sinopec Framework Agreement

On 20 November 2008, Pioneer City Investments Limited ("Pioneer City"), an indirect wholly-owned subsidiary of the Company, and China Petroleum & Chemical Corporation ("Sinopec Corp") completed the Guangxi COFCO Bio-Energy Co., Ltd. (廣西中糧生物質能源有限公司)("Guangxi Bio-Energy") acquisition where Sinopec Corp acquired 15% equity interest in Guangxi Bio-Energy from Pioneer City. Immediately upon completion of the Guangxi Bio-Energy Acquisition, Sinopec Corp became a substantial shareholder of Guangxi Bio-Energy, a non-wholly owned subsidiary of the Company, and is therefore a connected person of the Company pursuant to the Listing Rules.

On 1 January 2008, the Company and Sinopec Corp entered into a framework agreement (the "Sinopec Framework Agreement"). Pursuant to the Sinopec Framework Agreement, the Group and its associates have agreed to supply alcohol and other related products and services to Sinopec Corp and its subsidiaries ("Sinopec Corp Group") , and Sinopec Corp Group has agreed to supply gasoline, diesel fuel, and other related products and services to the Group and its associates. The Sinopec Framework Agreement is effective from 1 January 2008 and will end on 31 December 2011.

14. Toyota Tsusho Mutual Supply Agreement

On 21 November 2008, the Company and Toyota Tsusho entered into the Toyota Tsusho Mutual Supply Agreement, to regulate the mutual supply relationship between the Group and Toyota Tsusho in respect of the mutual supply of raw materials, products, technology and the related services.

Under the Toyota Tsusho Mutual Supply Agreement, the Group and Toyota Tsusho and its associates will mutually supply raw materials, products, technology and services including bread, rice, yeast, other related products, technology and services. The Toyota Tsusho Mutual Supply Agreement is for a term commencing from 1 January 2009 to 31 December 2011.

Annual caps for the three years ending 31 December 2011 under the Toyota Tsusho Mutual Supply Agreement are set. For details, please refer to the announcement issued by the Company on 21 November 2008.

According to the Listing Rules, Toyota Tsusho is a substantial shareholder of a subsidiary of the Company and a connected person of the Company.

15. Hakubaku Mutual Supply Agreement

On 21 November 2008, the Company and Hakubaku entered into the Hakubaku Mutual Supply Agreement, to regulate the mutual supply relationship between the Group and Hakubaku in respect of the mutual supply of raw materials, products and related services.

Under the Hakubaku Mutual Supply Agreement, the Group and Hakubaku and its associates will mutually supply raw materials, products, technology and services, including bread, rice, yeast, other related products, technology and services. The Hakubaku Mutual Supply Agreement is for a term commencing from 1 January 2009 to 31 December 2011.

Annual caps for the three years ending 31 December 2011 under the Hakubaku Mutual Supply Agreement are set. For details, please refer to the announcement issued by the Company on 21 November 2008.

According to the Listing Rules, Hakubaku is a substantial shareholder of a subsidiary of the Company and a connected person of the Company.

16. Xiamen Seashine Mutual Supply Agreement

On 21 November 2008, the Company and Xiamen Seashine entered into the Xiamen Seashine Mutual Supply Agreement, to regulate the mutual supply relationship between the Group and Xiamen Seashine in respect of the mutual supply of raw materials, products, technology and the related services.

Under the Xiamen Seashine Mutual Supply Agreement, the Group and Xiamen Seashine and its associates will mutually supply raw materials, products and related services. The Xiamen Seashine Mutual Supply Agreement is for a term commencing from 1 January 2009 to 31 December 2011.

Annual caps for the three years ending 31 December 2011 under the Xiamen Seashine Mutual Supply Agreement are set. For details, please refer to the announcement issued by the Company on 21 November 2008.

According to the Listing Rules, Xiamen Seashine is a substantial shareholder of a subsidiary of the Company and a connected person of the Company.

17. Zhengzhou Flour Mutual Supply Agreement

On 21 November 2008, the Company and Zhengzhou Flour entered into the Zhengzhou Flour Mutual Supply Agreement, to regulate the mutual supply relationship between the Group and Zhengzhou Flour in respect of the mutual supply of raw materials, products, technology and the related services.

Under the Zhengzhou Flour Mutual Supply Agreement, the Group and Zhengzhou Flour and its associates will mutually supply raw materials, products and related services. The Zhengzhou Flour Mutual Supply Agreement is for a term commencing from 1 January 2009 to 31 December 2011.

Annual caps for the three years ending 31 December 2011 under the Zhengzhou Flour Mutual Supply Agreement are set. For details, please refer to the announcement issued by the Company on 21 November 2008.

According to the Listing Rules, Zhengzhou Flour is a substantial shareholder of a subsidiary of the Company and a connected person of the Company.

18. No.5 Storage Mutual Supply Agreement

On 21 November 2008, the Company and Shenyang No. 5 Grains Storage Depot (瀋陽市第五糧食收儲庫) ("No. 5 Storage") entered into the No.5 Storage Mutual Supply Agreement, to regulate the mutual supply relationship between the Group and No.5 Storage in respect of the mutual supply of raw materials, products, technology and related services.

Under the No.5 Storage Mutual Supply Agreement, the Group and No.5 Storage and its associates will mutually supply raw materials, products and related services. The No.5 Storage Mutual Supply Agreement is for a term commencing from 1 January 2009 to 31 December 2011.

Annual caps for the three years ending 31 December 2011 under the No.5 Storage Mutual Supply Agreement are set. For details, please refer to the announcement issued by the Company on 21 November 2008.

According to the Listing Rules, No.5 Storage is a substantial shareholder of a subsidiary of the Company and a connected person of the Company.

Other connected transactions

19. Disposal of Assets

On 27 June 2008, COFCO Eastbay Oils & Fats Industries (Guangzhou) Co., Ltd. ("Eastbay"), entered into the Eastbay Asset Sale Agreement with Zhangjiagang CPMC Co., Ltd. ("Zhangjiagang CPMC"). On the same date, East Ocean Oils & Grains Industries (Zhangjiagang) Co., Ltd. ("East Ocean"), entered into the East Ocean Asset Sale Agreement with Zhangjiagang CPMC.

Under the Eastbay Asset Sale Agreement and the East Ocean Asset Sale Agreement (collectively, "Asset Sale Agreements"), Eastbay and East Ocean (collectively, the "Vendors") agreed to sell, and Zhangjiagang CPMC agreed to purchase, certain assets relating to the Vendors' business in the manufacture of steel barrels and rectangular cans. Eastbay and East Ocean are both non wholly-owned subsidiaries of the Company.

The consideration under the Eastbay Asset Sale Agreement is RMB12.46 million, which is payable in cash in two equal tranches: (1) RMB6.23 million before 30 June 2008; and (2) RMB6.23 million before 31 August 2008.

The consideration under the East Ocean Asset Sale Agreement is RMB19.81 million, which is payable in cash in two equal tranches: (1) RMB9.905 million before 30 June 2008; and (2) RMB9.905 million before 31 August 2008.

According to the Listing Rules, COFCO is the controlling shareholder of the Company. Zhangjiagang CPMC, a wholly-owned subsidiary of COFCO, is, therefore, a connected person of the Company.

Annual review of continuing connected transactions

The independent non-executive Directors have reviewed the continuing connected transactions for the year ended 31 December 2008 (collectively, the "CCTs") and confirmed that the CCTs were: (a) entered into in the ordinary and usual course of business of the Group; (b) entered into on normal commercial terms; (c) in accordance with the terms of the respective agreements that are fair and reasonable and in the interests of the shareholders of the Company as a whole; and (d) carried out in accordance with the terms of the agreements governing such transactions or, where there was no such agreement, on terms no less favourable than those available to or from independent third parties. The auditors of the Company have reviewed the CCTs and confirmed that the CCTs:

(a) were approved by the Directors;

(b) were in accordance with the pricing policies of the Group;

(c) were entered into in accordance with the respective agreements governing the transactions; and

(d) have not exceeded the respective annual caps as disclosed in the Prospectus and the relevant annual caps as disclosed or revised in the announcements of the Company dated 8 November 2007, 28 February 2008, 21 August 2008 and 17 November 2008.

Directors' interests in competing business

Pursuant to Rule 8.10 of the Listing Rules, as disclosed below, during the year, the following Directors are considered to have interests in the following companies which are likely to compete directly or indirectly with the business of the Group ("Competing Companies"):

1. COFCO holds approximately 20.74% of the issue share capital of Anhui BBCA Biochemical Co., Ltd. ("Anhui BBCA"), a company mainly engaged in the processing of agricultural products to produce biofuel and biomaterials, which is similar to our biofuel and biochemical business. Mr. Yue Guojun is a director and chairman of the board of Anhui BBCA. COFCO also holds a 49.08% equity interest in Xinjiang Tayuan Safflower Co., Ltd. ("Xinjiang Tayuan"), which is mainly engaged in the business of safflower oil extraction, which is similiar to part of our oilseed processing business. Mr. Lu Jun is a director and chairman of the board of Xinjiang Tayuan.

   Mr. Ning Gaoning is a director and chairman of the board of COFCO. Mr. Yu Xubo is the president and Mr. Lu Jun and Mr. Yue Guojun are assistant presidents of COFCO. Mr. Chi Jingtao and Mr. Ma Wangjun hold positions in COFCO as the head of human resources department and the head of finance department, respectively.

2. China Resources (Jilin) Bio-chemical Co., Ltd. ("Jilin Bio-chemical"), holds certain interests in the business of production of starch, which is similar to our biochemical business. Mr. Yu Xubo was a director and chairman, and Mr. Yue Guojun was a director and vice-chairman of the board of Jilin Bio-chemical. Due to share transfer reason, Mr. Yu Xubo and Mr. Yue Guojun resigned all their positions of Jilin Bio-chemical on August 15, 2008.

3. Dongguan Zhong Gu Oils & Fats Co., Ltd ("Dongguan Zhong Gu"), is principally engaged in oil extraction and soybean meal production business, which is similar to our oilseed processing business. Mr. Lu Jun was a director and chairman of the board of Dongguan Zhong Gu during the year.

4. Wilmar International Holdings Limited ("Wilmar International") holds certain business which is similar to our oilseed processing business. Mr. Yu Xubo is director of Wilmar International. Mr. Lu Jun is a director of Wilmar Holdings Pte. Ltd. which is a substantial shareholder of Wilmar International, Grand Silver (Laiyang) Co., Limited (嘉銀萊陽有限公司), and Great Ocean Oil and Grain Industries (Fang Cheng Gang) Co. Ltd., which are Wilmar International's subsidiaries.

5. Jilin COFCO Bio-chemical Co Ltd ("Jilin COFCO"), a wholly-owned subsidiary of COFCO Hong Kong, holds certain interests in the business of production of starch, which is similar to our biochemical business. Mr. Yue Guojun is a director and chairman of the board of Jilin COFCO.

As the Board of the Company is independent from the boards of Competing Companies, and the above Directors do not control the Board of the Company, the Group is capable of carrying on its business independently of, and at arm's length from, the businesses of Competing Companies.

Save as disclosed above, no Directors are considered to have interests in any business which is likely to compete directly or indirectly with that of the Group during the year.

Purchase, redemption or sale of the company's listed securities

Neither the Company nor its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

Non-competition deed

As disclosed in the Prospectus, the following interests (the "Retained Interests") were anticipated to be held or acquired by COFCO Group which compete or may compete with the Company's businesses:

(a) a 100% equity interest in each of Fei County Zhong Zhi Oils & Fats Co., Ltd., and Dongguan Zhong Gu Oils & Fats Co., Ltd. (collectively "China Grain Oils"), both of which are principally engaged in oil extraction and soybean meal production business;

(b) a 37.03% interest in Jilin Bio-chemical, a company listed on the Shanghai Stock Exchange, which is primarily engaged in corn processing business;

(c) a 20.74% interest in Anhui BBCA, a company listed on the Shenzhen Stock Exchange, which is involved in bio-chemical business; and

(d) a 49.08% equity interest in Xinjiang Tayuan, the business of which includes edible safflower oil extraction.

COFCO, COFCO (HK) and the Company executed a non-competition deed on 16 February 2007 ("Non-competition Deed"), pursuant to which COFCO and COFCO (HK) have granted to the Company options to acquire all or part of the Retained Interests held by COFCO, on the basis of a valuation to be conducted by an independent valuer, jointly appointed by COFCO and the Company, subject to any relevant laws and applicable rules, relevant authorities' approvals and existing third-party pre-emptive rights (if any). Under the Non-competition Deed, if COFCO or COFCO (HK) intends to transfer, sell, lease, license or dispose to any third party any direct or indirect interest in any of such Retained Interests, then the Company has pre-emptive rights to purchase any Retained Interests on terms no less favorable than those offered to such third party.

A subsidiary of COFCO entered into a share sale and purchase agreement on November 2005 (the "2005 SPA"), to acquire from China Resources Group a 37.03% interest in Jilin Bio-chemical.

In May 2007, the Board was informed by COFCO that the 2005 SPA had been terminated by the parties, due to the change in the share reclassification programme proposal of Jilin Biochemical; therefore, the corresponding option and pre-emption right granted to the Company in this regard has lapsed. Following the termination of the 2005 SPA, COFCO and/or one of its subsidiaries intended to enter into a sale and purchase agreement with Jilin Bio-chemical (the "Proposed SPA"), for the acquisition of certain business/assets of Jilin Bio-chemical (the "New Interests"). The New Interests constitute New Business Opportunities within the meaning of the Non-Competition Deed. Having taken into the account the principal factors and considerations set out in the announcement of the Company dated 9 May 2007, the INEDs are of the opinion that it is not appropriate, and not in the best interests of the Company and the shareholders of the Company as a whole, for the Company to acquire the New Interests on the terms of the Proposed SPA. Accordingly, the Board has given its written consent for COFCO and/or one of its subsidiaries to enter into the Proposed SPA.

On 26 September 2008, the Board was informed by COFCO that a subsidiary of COFCO (HK), and Jilin Bio-chemical, entered into a new sale and purchase agreement ("the New SPA"). Following the New SPA, the transfer of Huanglong Food Industry Company Limited ("Yellow Dragon"), Jilin CRC Biochemistry Packaging Company Limited ("Jilin Packaging") and Land Interest (as defined in the announcement of the Company dated 27 February 2009), three business/assets, among other things, of the New Interests were completed on 26 September 2008, 17 October 2008 and 24 December 2008 respectively, upon which the option to acquire any part or all of the three business/assets became effective.

On 12 February 2009, the Board was informed by COFCO that, COFCO (HK) entered into COFCO Hong Kong Kindgain Share Purchase Agreements (as defined in the announcement of the Company dated 27 February 2009) and COFCO Hong Kong Uptech Investments Share Purchase Agreements (as defined in the announcement of the Company dated 27 February 2009), to purchase China Grain Oils interests. Upon completion of the transfer of the interests in Fei County Zhong Zhi Oils & Fats Co., Ltd. and Dongguan Zhong Gu Oils & Fats Co., Ltd. the option to acquire any part or all of the China Grain Oils interests will become effective.

On 17 February 2009, the Company entered into four conditional Share Purchase Agreements and one conditional Assets Purchase Agreement with COFCO (HK), to purchase Yellow Dragon, Jinlin Packaging, Land Interests and China Grain Oils, from COFCO, which have been approved at the extraordinary general meeting of the Company held on 24 March 2009.

The options of the Company to acquire from COFCO any interest or business in Anhui BBCA and Xinjiang Tayuan (collectively, the "Options") became effective on 3 April 2007 and 10 April 2007, respectively. The INEDs, who attended the Board meeting on 8 July 2008 reviewed information regarding the Options provided to them, which they believe to be sufficient in forming their opinion. Having taken into account the principal factors and considerations set out in the announcement of the Company dated 8 July 2008, the INEDs were of the opinion that it was not appropriate and not in the best interests of the Company and the shareholders of the Company as a whole to exercise such Options at that time. Accordingly, the Board decided not to exercise the Options before the next anniversary of the Options becoming effective.

The Options will remain in effect so long as the Non-Competition Deed remains effective and will be reviewed by the INEDs on an annual basis. A final and definitive decision will be made as to whether to exercise the options or not on the fifth anniversaries of the Options becoming effective, if such decision has not been taken before such time. COFCO has undertaken to the Company that if, on the fifth anniversaries of the Options having become effective, a decision is made not to exercise such Options by the Company, then COFCO will dispose of the interests or businesses in respect of the Options to independent third parties within six months of such decision having become effective. If for any reason additional time after the fifth anniversary is deemed necessary for the proper evaluation of the Options, such decision to extend would be voted on solely by the INEDs and be decided by majority vote.

Corporate governance

The Company is committed to developing good corporate governance standards. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on page 50 to page 59 of this annual report.

Donations

During the year, the Group made charitable and other donations amounting to approximately HK$19.89 million.

Post balance sheet events

Details of the post balance sheet events are set out in note 43 to the financial statements.

Review by audit committee

The Audit Committee has reviewed with the auditors of the Company the audited financial statements for the year ended 31 December 2008 and has also discussed auditing, internal control and financial reporting matters, including the review of the accounting practices and principles adopted by the Group.

Auditors

Ernst & Young shall retire at the forthcoming annual general meeting, and a resolution for their reappointment as auditors of the Company will be proposed at the meeting.

On behalf of the Board

YU Xubo
Managing Director

Hong Kong, 14 April 2009