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**CHINA AGRI-INDUSTRIES HOLDINGS LIMITED**  
**中國糧油控股有限公司**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 606)**

**CONNECTED TRANSACTION**  
**ESTABLISHMENT OF JOINT VENTURE**

**Independent Financial Adviser to the Independent Board Committee  
and the Independent Shareholders**



**CIMB-GK Securities (HK) Limited**

A letter from the Board is set out on pages 4 to 8 of this circular. A letter from the Independent Board Committee containing its advice to the Independent Shareholders is set out on page 9 of this circular. A letter from the Independent Financial Adviser containing its advice and recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages 10 to 16 of this circular.

A notice convening the EGM to be held at 2:30 p.m. on Wednesday, 6 May 2009 at Pacific Place Conference Centre, Level 5, One Pacific Place, 88 Queensway, Hong Kong is set out on pages 24 to 25 of this circular. A form of proxy for the use at the EGM is enclosed herewith. Whether or not you are able to attend the EGM in person, please complete and return the accompanying form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not later than 48 hours before the time scheduled for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

15 April 2009

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## DEFINITIONS

*In this circular, unless the context otherwise requires, the following expressions have the following meanings:*

“Articles of Association”	the articles of association adopted on 16 March 2009 by Excel Joy and COFCO in respect of the New JV Co
“Board”	the board of Directors
“Business Licence Date”	the date on which the business licence of the New JV Co is issued
“CIMB-GK” or “Independent Financial Adviser”	CIMB-GK Securities (HK) Limited, a corporation licensed to conduct types 1 (dealing in securities), 4 (advising on securities) and 6 (advising on corporate finance) regulated activities under the SFO, the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the establishment of the New JV Co
“COFCO”	COFCO Limited (中糧集團有限公司), a wholly state-owned company established in the PRC in September 1952 currently under the purview of the State-owned Assets Supervision and Administration Commission of the State Council of the PRC, the ultimate controlling shareholder of the Company
“COFCO Hong Kong”	COFCO (Hong Kong) Limited (中糧集團(香港)有限公司), a company incorporated in Hong Kong with limited liability and a controlling shareholder of the Company, and a direct wholly-owned subsidiary of COFCO
“Company”	China Agri-Industries Holdings Limited (中國糧油控股有限公司), a company incorporated on 18 November 2006 with limited liability under the laws of Hong Kong
“Directors”	the directors of the Company
“EGM”	an extraordinary general meeting of the Company to be convened to consider and approve the establishment of the New JV Co
“Excel Joy”	Excel Joy International Co., Ltd. (佳悅國際有限公司), a limited liability company incorporated in the British Virgin Islands and a wholly owned subsidiary of the Company

## DEFINITIONS

“Excel Joy (Tianjin)”	COFCO Excel Joy (Tianjin) Co., Ltd. (中糧佳悅(天津)有限公司), a limited liability company established in the PRC and a wholly owned subsidiary of Excel Joy
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong Special Administrative Region, the PRC
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent board committee of the Board comprising all the independent non-executive Directors namely, Mr. Lam Wai Hon Ambrose, Mr. Victor Yang and Mr. Patrick Vincent Vizzone
“Independent Shareholders”	Shareholders who are not required to abstain from voting on the resolution to be proposed at the EGM
“Jilin COFCO”	Jilin COFCO Bio-chemical Co Ltd (吉林中糧生化有限公司), a limited liability company incorporated in the PRC and a subsidiary of COFCO Hong Kong
“JV Agreement”	a joint venture agreement entered into by Excel Joy and COFCO on 16 March 2009 for the establishment of the New JV Co
“Latest Practicable Date”	7 April 2009
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“New JV Co”	Tianjin COFCO Excel Joy Lingang Storage Co., Ltd (天津中糧佳悅臨港倉儲有限公司), the joint venture company which will be owned as to approximately 71.72% by Excel Joy and approximately 28.28% by COFCO pursuant to the JV Agreement and the Articles of Association
“PRC”	the People’s Republic of China

## DEFINITIONS

“Previous JV Arrangements”	the establishment of (i) Hubei COFCO Xiangrui Oils & Gains Industries Co., Ltd. (湖北中糧祥瑞糧油倉儲有限公司) between COFCO Xiangrui Oils & Grains Industries (Jingmen) Co., Ltd. (中糧祥瑞糧油工業(荊門)有限公司) and COFCO, and (ii) the establishment of Zhangjiagang Cofco East Ocean Storage Co., Ltd (張家港中糧東海倉儲有限公司) between COFCO East Ocean Oils & Grains Industries (Zhangjiagang) Co., Ltd. (中糧東海糧油工業(張家港)有限公司) and COFCO, details of which may be found in the Company’s announcements dated 6 February 2009 and 26 February 2009
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Share(s)”	means ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholders”	the shareholders of the Company
“%”	per cent



**中糧**  
**COFCO**

**CHINA AGRI-INDUSTRIES HOLDINGS LIMITED**  
**中國糧油控股有限公司**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 606)**

*Chairman and Non-executive Director*

NING Gaoning

*Executive Directors*

YU Xubo (*Managing Director*)

LU Jun (*Vice president*)

YUE Guojun (*Vice president*)

*Non-executive Directors*

CHI Jingtao

MA Wangjun

*Independent Non-Executive Directors*

LAM Wai Hon, Ambrose

Victor YANG

Patrick Vincent VIZZONE

*Registered Office*

33rd Floor, Top Glory Tower

262 Gloucester Road

Causeway Bay

Hong Kong

15 April 2009

*To the Shareholders*

Dear Sir or Madam,

**CONNECTED TRANSACTION**  
**ESTABLISHMENT OF JOINT VENTURE**

**INTRODUCTION**

Reference is made to the announcement made by the Company on 16 March 2009.

On 16 March 2009, Excel Joy, a wholly owned subsidiary of the Company, and COFCO executed the JV Agreement and adopted the Articles of Association for the establishment of the New JV Co. Upon its establishment, the New JV Co will be owned as to approximately 71.72% by Excel Joy and approximately 28.28% by COFCO.

## LETTER FROM THE BOARD

### TERMS OF THE JV AGREEMENT AND THE ARTICLES OF ASSOCIATION OF THE NEW JV CO

Date:	16 March 2009
Parties:	(1) Excel Joy, a wholly owned subsidiary of the Company; and  (2) COFCO
Business of the New JV Co:	to engage in storing of agricultural products and oils.
Board of directors:	the board of directors of the New JV Co will consist of two directors appointed by Excel Joy and one director appointed by COFCO.
Registered capital:	RMB200,000,000, of which RMB143,430,000 will be contributed by Excel Joy and RMB56,570,000 by COFCO.
Total investment:	RMB200,000,000
Joint venture term:	50 years from the Business Licence Date

The terms of the JV Agreement and the Articles of Association were arrived at after arm's length negotiations and are normal commercial terms.

The capital contribution of Excel Joy in the New JV Co represents approximately 71.72% of the total registered capital of the New JV Co. The total registered capital of the New JV Co was determined by taking into account, among other factors, the estimated cost of equipment to be purchased by the New JV Co for its operation, prices of raw materials, construction and equipment installation fees with reference to the relevant local market.

The registered capital will be paid in two instalments, (i) 15% of which shall be paid within three months from the Business Licence Date, and (ii) the remaining part should be paid within 24 months from the Business Licence Date. Excel Joy will satisfy its capital contribution in the New JV Co in cash funded by its internal resources.

Upon its establishment, the New JV Co will be owned as to approximately 71.72% by Excel Joy and approximately 28.28% by COFCO.

## LETTER FROM THE BOARD

### INFORMATION ON THE PARTIES

The Company is a leading producer and supplier of processed agricultural products in the PRC. It offers a diverse range of products to its customers in and outside the PRC and it enjoys market leading positions in the majority of its businesses.

Excel Joy is an investment holding company incorporated in the British Virgin Islands.

Excel Joy (Tianjin), a wholly owned subsidiary of Excel Joy, is principally engaged in the business of oilseeds processing, sale of edible oil and trading.

COFCO is the ultimate controlling shareholder holding approximately 57.67% of the total issued share capital of the Company. COFCO is a state-owned company in the PRC with business interests in agricultural commodities trading, agricultural products processing, food and beverages, hotel management, real estate, logistics and financial services.

### REASONS FOR THE ESTABLISHMENT OF THE NEW JV CO

Excel Joy (Tianjin) is expected to start its oilseeds processing and trading businesses in the near future. At present, however, Excel Joy (Tianjin) does not have storing facilities to satisfy its potential operational needs. The New JV Co is located in Tianjin Municipality, where among other areas, clients of Excel Joy (Tianjin) are expected to be mainly located. The oilseeds storage capacity of the New JV Co is expected to be 120,000 metric tons and the oils storage capacity is expected to be 100,000 metric tons. It is the parties' intention that the New JV Co will provide storage services mainly to Excel Joy (Tianjin). The New JV Co will therefore satisfy the operational needs of Excel Joy (Tianjin) in terms of storage services.

### LISTING RULES IMPLICATIONS

As COFCO is a substantial shareholder of the Company, COFCO is a connected person of the Company under the Listing Rules, therefore the establishment of the New JV Co constitutes a connected transaction of the Company. Pursuant to Rule 14A.25 of the Listing Rules, the relevant applicable percentage ratios calculated pursuant to Rules 14.07 and 14.15(2) of the Listing Rules for the establishment of the New JV Co, aggregated with the Previous JV Arrangements, are more than 2.5%. Therefore, the establishment of the New JV Co is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

## LETTER FROM THE BOARD

### EXTRAORDINARY GENERAL MEETING

The EGM will be held for the purpose of considering and approving by the Independent Shareholders the establishment of the New JV Co.

Voting on the resolutions at the EGM shall be taken by way of poll. In accordance with the Listing Rules, COFCO and its associates will abstain from voting on all resolutions to be proposed at the EGM. As of the Latest Practicable Date, COFCO and its associates, directly and indirectly, hold 2,072,688,331 Shares (approximately 57.67%) in aggregate. Save for the 2,072,688,331 Shares disclosed above, COFCO and its associates do not control and are not entitled to exercise control over the voting rights in respect of any other Shares.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, other than COFCO and its associates, there is no connected person of the Company, Shareholder and their respective associates with a material interest in the establishment of the New JV Co required to abstain from voting at the EGM.

A notice convening the EGM is set out on pages 24 to 25 of this circular. The EGM will be held at 2:30 p.m. on Wednesday, 6 May 2009 at Pacific Place Conference Centre, Level 5, One Pacific Place, 88 Queensway, Hong Kong, at which resolution will be proposed to approve the establishment of the New JV Co. The form of proxy for use by the Shareholders at the EGM is enclosed with this circular.

Whether or not you intend to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the branch share registrar of the Company in Hong Kong, Tricor Progressive Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong as soon as possible, and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of a form of proxy shall not preclude you from attending and voting in person at the EGM or an adjournment thereof should you so desire.

### RECOMMENDATION

Based on the relevant information disclosed herein, the Directors, including all the independent non-executive Directors, believe that the establishment of the New JV Co and the terms of the JV Agreement and the Articles of Association are fair and reasonable and are on normal commercial terms in the interest of the Company and its Shareholders as a whole. Accordingly, the Board recommends that the Shareholders vote in favour of the resolution to be proposed at the EGM.

## LETTER FROM THE BOARD

CIMB-GK has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the establishment of the New JV Co. Having considered the advice given by the Independent Financial Adviser and the principal factors and reasons taken into consideration by it in arriving at its advice, the Independent Board Committee is of the opinion that the establishment of the New JV Co is fair and reasonable and are on normal commercial terms in the interest of the Company and its Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM.

Your attention is also drawn to the letter from the Independent Board Committee set out in page 9, the letter from the Independent Financial Adviser set out in pages 10 to 16 and the other information set out in the appendix to this circular.

By order of the Board  
**CHINA AGRI-INDUSTRIES HOLDINGS LIMITED**  
**Yu Xubo**  
*Managing Director*



**CHINA AGRI-INDUSTRIES HOLDINGS LIMITED**  
**中國糧油控股有限公司**

*(Incorporated in Hong Kong with limited liability)*  
(Stock Code: 606)

15 April 2009

*To the Independent Shareholders*

Dear Sir or Madam,

**CONNECTED TRANSACTION**  
**ESTABLISHMENT OF JOINT VENTURE**

We refer to the circular of the Company dated 15 April 2009 (the "Circular") of which this letter forms part. Unless the context otherwise requires, terms defined in the Circular shall have the same meanings when used herein.

We have been appointed to form the Independent Board Committee to consider and advise the Independent Shareholders as to whether, in our opinion, the terms of and the establishment of the New JV Co, details of which are set out in the letter from the Board contained in the Circular, is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Having considered the terms of the JV Agreement and the Articles of Association and the advice of the Independent Financial Adviser in relation thereto as set out on pages 10 to 16 of this Circular, we are of the opinion that the establishment of the New JV Co and terms of the JV Agreement and the Articles of Association are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Shareholders and the Company as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the establishment of the New JV Co, the JV Agreement and the Articles of Association.

Yours faithfully,

For and on behalf of the Independent Board Committee

**Lam Wai Hon, Ambrose**  
*Independent Non-executive*  
*Director*

**Victor Yang**  
*Independent Non-executive*  
*Director*

**Patrick Vincent Vizzone**  
*Independent Non-executive*  
*Director*

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

*The following is the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders for the purpose of incorporation into this circular.*

 **CIMB**  
**CIMB-GK Securities (HK) Limited**

25/F Central Tower  
28 Queen's Road Central  
Hong Kong

15 April 2009

*To the Independent Board Committee and the Independent Shareholders of  
China Agri-Industries Holdings Limited*

Dear Sirs/Madams,

### **CONNECTED TRANSACTION ESTABLISHMENT OF JOINT VENTURE**

#### **INTRODUCTION**

We refer to our engagement as the independent financial adviser to advise (i) the Independent Board Committee and the Independent Shareholders whether the establishment of the New JV Co pursuant to the JV Agreement (the "Connected Transaction") is in the interests of the Group and the Independent Shareholders as a whole and whether the terms of the JV Agreement are on normal commercial terms, fair and reasonable so far as the Group and the Independent Shareholders are concerned and in the interests of the Group and the Independent Shareholders as a whole, details of which are contained in a circular of the Company (the "Circular") to the Shareholders dated 15 April 2009 of which this letter forms part; and (ii) the Independent Shareholders how to vote at the EGM. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

As at the Latest Practicable Date, COFCO indirectly held approximately 57.67% interest of the Company and therefore, COFCO was a connected person of the Company under the Listing Rules. Accordingly, the establishment of the New JV Co pursuant to the JV Agreement constitutes a connected transaction for the Company under the Listing Rules. Pursuant to Rule 14A.25 of the Listing Rules, the relevant applicable percentage ratios calculated pursuant to Rules 14.07 and 14.15(2) of the Listing Rules for the establishment of the New JV Co, aggregated with the Previous JV Arrangements, are more than 2.5%. Therefore, the Connected Transaction shall be subject to the reporting, announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Given its interests in the Connected Transaction, COFCO and its associates (as defined in the Listing Rules) will abstain from voting at the EGM on the resolution in relation to the Connected Transaction.

An independent board committee comprising Mr. Lam Wai Hon, Ambrose, Mr. Victor Yang and Mr. Patrick Vincent Vizzone, being the independent non-executive Directors, has been formed to advise the Independent Shareholders in relation to the Connected Transaction.

# LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

## BASIS OF OUR OPINION

In formulating our recommendation, we consider that we have reviewed sufficient and relevant information and documents and have taken reasonable steps as required under Rule 13.80 of the Listing Rules including the notes thereto to reach an informed view and to provide a reasonable basis for our recommendation. We have relied on the information and facts contained or referred to in the Circular, the information provided by the Company and our review of the relevant public information. We have also assumed that the information, facts and representations contained or referred to in the Circular were true and accurate at the time they were made and up to the date of the EGM. We have not, however, conducted an independent verification of the information nor have we conducted any form of in-depth investigation into the businesses and affairs or the prospects of the Company, COFCO, or any of their respective subsidiaries (as defined in the Listing Rules) or associates. We have no reason to doubt the truth, accuracy and completeness of the information, facts and representations provided and represented to us by the Company. We have also been advised by the Company and believe that no material facts have been omitted from the Circular.

## PRINCIPAL FACTORS CONSIDERED

In arriving at our opinion, we have considered the following principal factors and reasons:

### (I) Background and reasons for entering into of the JV Agreement

#### *Background*

On 16 March 2009, the Company announced that Excel Joy, a wholly owned subsidiary of the Company, entered into the JV Agreement with COFCO for the establishment of the New JV Co in Tianjin Municipality. Upon establishment of the New JV Co, the New JV Co will be owned as to approximately 71.72% by Excel Joy and approximately 28.28% by COFCO. Details of the major terms of the JV Agreement are set out in the letter from the board of the Circular (the "Letter from the Board").

#### *Reasons for entering into of the JV Agreement*

##### Principal business of the Group

As stated in the Company's interim report for the six months ended 30 June 2008 (the "2008 Interim Report"), the Group is the leader in integrated agricultural products and food processing industry in the PRC and one of the largest edible oil and oilseed meal producers in the PRC with annual crushing and refining capacity of approximately 4.9 million and 1.2 million metric tons, respectively. We are advised by the Company that the storage of processed oil is an ancillary part of the Group's oilseed processing business and the oilseed processing business remained as the key revenue driver of the Group in the first half of 2008.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As stated in the Letter from the Board, Excel Joy (Tianjin), an indirectly wholly owned subsidiary of the Company, is principally engaged in the business of oilseeds processing, sale of edible oil and trading, and the New JV Co will be principally engaged in storing of agriculture products and oils.

We also note from the Letter from the Board that Excel Joy (Tianjin) is expected to start its oilseeds processing and trading businesses in the near future and it is the intention of the parties to the JV Agreement that the New JV Co will provide storage services mainly to Excel Joy (Tianjin) to satisfy its operational needs in terms of storage services.

We have reviewed information about Excel Joy (Tianjin) provided by the Company in relation to the designed manufacturing capacity of the oilseed processing business of Excel Joy (Tianjin) as well as its estimated demand for the storage services based on the aforementioned manufacturing capacity and the business plan and strategy of Excel Joy (Tianjin). We have also discussed with the management of the Company in relation thereto.

Based on our review and discussion, we are advised by the Company that, at present, Excel Joy (Tianjin) does not have any storing facilities to satisfy its operational needs and there are no suitable storing facilities available in the area in which Excel Joy (Tianjin) is located and understand that Excel Joy (Tianjin) will be in pressing demand for the storage services upon its commencement of the operation at the end of 2010. We have also reviewed information provided by the Company in relation to the construction schedule of the storage facilities of the New JV Co and understand that the New JV Co is expected to commence its operation in the second quarter of 2010. In this connection, we concur with the view of the management of the Company that the New JV Co, with its expected oilseeds storage capacity of 120,000 metric tons and the expected oil storage capacity of 100,000 metric tons, would provide Excel Joy (Tianjin) with storage facilities to satisfy its demand for storage services for its operation which is expected to commence at the end of 2010.

Having considered the above, we are of the view that the Connected Transaction is for the business purpose of the Group and is in line with the business development plan of the Group.

### Cooperation with and support from COFCO

We have discussed with the management of the Company in relation to the cooperation arrangement between Excel Joy and COFCO in relation to the establishment of the New JV Co and understand that the Group, as one of the major subsidiaries of COFCO, has established long term cooperation relationship with COFCO. As stated in the Letter

from the Board, COFCO is a state-owned company in the PRC with business interests in agricultural commodities trading, agricultural products processing, food and beverages, hotel management, real estate, logistics and financial services. We have reviewed public information in relation to the background of COFCO and note that COFCO is the largest diversified products and services supplier in the agribusiness and food industry in the PRC and also the largest comprehensive trade operator of grain purchasing, storage and trading in the PRC. We are also advised by the Company that the rich experience possessed by COFCO in the field of agricultural primary products storage and logistics is expected to benefit the Group for its agricultural storage business.

Having considered the above, we concur with the view of the management of the Company that it is desirable for the Group to establish the New JV Co with COFCO in consideration that such cooperation is expected to benefit the Group from leveraging on the extensive resources and experience possessed by COFCO in the agribusiness and food industry in China and also seeking supports from COFCO for the business development of the Group in the future.

The oilseed processing industry in the PRC

We have reviewed statistics listed in the China Statistical Yearbook 2008 compiled by National Bureau of Statistics of China ("NBSC"), and note that during the period from 1990 to 2007, the gross domestic product of the PRC increased from approximately RMB1,867 billion to RMB24,953 billion, representing a compound annual growth rate ("CAGR") of approximately 16.5%. During the same period, both the annual disposable income per capita of urban households and the annual per capita net income of rural households increased dramatically, amounting to approximately RMB13,786 and RMB4,140 respectively in 2007, representing a CAGR of approximately 13.9% and approximately 11.2% respectively over the period from 1990 to 2007. Population of the PRC has increased gradually, reaching approximately 1.3 billion in 2007 and the average natural growth rate of population was 0.56% during the five-year period from 2003 to 2007.

We have also reviewed the initial statistics compiled by NBSC regarding the gross domestic product of the PRC for the year of 2008 which amounted to approximately RMB30,067 billion. As compared with the CAGR of the gross domestic product over the period from 1990 to 2007, the annual growth rate of the gross domestic product in the PRC for 2008 slowed down to 9.0% as a result of the austerity measures for the property sector implemented by the PRC government in late 2007 to curb the then overheated property sector which was followed by the outbreak of global financial crisis in the second half of 2008. To spend the country out of a slowdown caused by the global turmoil, the PRC

government announced a RMB4 trillion stimulus package in late 2008. To further improve market liquidity to battle the economic slowdown, the central bank of the PRC has cut the benchmark deposit rate four times and the benchmark lending rate five times since September 2008. While it is a challenging task for the PRC government to keep the economy growing at its target rate of 8% for 2009, we believe that the long term prospect of the PRC remains strong.

Having considered the above, particularly the long term economic growth in the PRC, the increasing income level of households and the population in the PRC, and the resilience of the food industry to the economy downturn, we concur with the view of the management of the Company that the demand for edible oil and oilseed meal in the PRC will continue to grow and the demand for the services of storing agricultural products and oil will increase correspondingly. We also note from the 2008 Interim Report that the Group has plans to increase its production capacity of its oilseed processing business by 2010, and as advised by the Company, the establishment of Excel Joy (Tianjin) is one of those expansion plans.

Having considered the above, we consider it justifiable for the Group to establish the New JV Co which, as stated in the Letter from the Board, is expected to provide storage services to Excel Joy (Tianjin) upon the commencement of the operation of Excel Joy (Tianjin) at the end of 2010.

*Our view*

Taking into account the above matters, we consider that the Connected Transaction falls within the ordinary and usual course of business of the Group and is in the interests of the Group and the Independent Shareholders as a whole.

**(II) Major terms of the JV Agreement**

*Capital contribution*

Pursuant to the JV Agreement, the registered capital of the New JV Co, which is equivalent to the total investment of the New JV Co, is RMB200,000,000, of which RMB143,430,000, representing approximately 71.72% of the total registered capital of the New JV Co, will be contributed by Excel Joy in cash and the balance of RMB56,570,000, representing approximately 28.28% of the total registered capital of the New JV Co, will be contributed by COFCO in cash.

The JV Agreement also stipulates that the registered capital will be paid in two installments, 15% of which shall be paid by each of the parties to the JV Agreement within three months from the Business Licence Date and the remaining shall be paid within 24 months from the Business Licence Date.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In addition, as stated in the Letter from the Board, the total registered capital of the New JV Co was determined after taking into account, among other factors, estimated cost of equipments to be purchased by the New JV Co for its operation, prices of raw materials, construction and equipment installation fees with reference to the relevant local market. We have reviewed the estimate of the investment of the New JV Co provided by the Company and note that such estimate of the investment is in line with the total investment of the New JV Co as stipulated in the JV Agreement.

### *Management of the New JV Co*

Pursuant to the JV Agreement, the board of directors of the New JV Co will comprise three directors, two of which shall be appointed by Excel Joy and one shall be appointed by COFCO, Excel Joy and COFCO shall appoint a supervisor of the New JV Co mutually, and the quorum of board meeting of the New JV Co shall be two thirds or more of the total number of the directors of the New JV Co. Based on the above, we are of the view that the Company will be able to control the operation and financial position of the New JV Co.

### *Profit sharing*

Pursuant to the JV Agreement, the profits and losses from the operation of the New JV Co shall be distributed to each of Excel Joy and COFCO in proportion to their respective capital contribution to the New JV Co.

### *Our view*

Having considered the above, we are of the view that the terms of the JV Agreement are fair and reasonable so far as the Group and the Independent Shareholders are concerned and in the interests of the Group and the Independent Shareholders as a whole.

## **(III) Possible financial effects of the Connected Transaction on the Group**

### *Earnings*

As advised by the Company, upon establishment of the New JV Co, the New JV Co will be accounted for as a subsidiary of the Company and its results will be consolidated into the Company's accounts, and there would be no immediate significant impact on the earnings of the Group immediately upon establishment of the New JV Co.

### *Net asset value*

As stated above, the New JV Co will be accounted for as a subsidiary of the Company. Given the New JV Co is a new start-up and the capital contribution to the New JV Co by each party to the JV Agreement shall be in proportion to their respective equity interest in the New JV Co, we concur

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

with the view of the management of the Company that there would be no immediate material impact on the net asset value of the Group upon establishment of the New JV Co.

### *Working capital*

As stated in the Letter from the Board, the capital contribution of Excel Joy to the New JV Co will be satisfied in cash funded by its internal resources.

We note from the 2008 Interim Report that the Group had cash and cash equivalents (the "Cash Balance") of approximately HK\$3,426 million as at 30 June 2008. As the capital contribution of Excel Joy to the New JV Co of RMB143,430,000 only represents approximately 4.2% of the Cash Balance, we concur with the view of the management of the Company that the Group has sufficient internal resources to cover the capital contribution of Excel Joy as stipulated in the JV Agreement, and the establishment of the New JV Co has no immediate material adverse impact on the Group's working capital position.

### RECOMMENDATION

Having considered the principal factors and reasons referred to in the above, we are of the opinion that (i) the Connected Transaction falls within the ordinary and usual course of business of the Group and is in the interests of the Group and the Independent Shareholders as a whole; and (ii) the terms of the JV Agreement are on normal commercial terms, fair and reasonable so far as the Group and the Independent Shareholders are concerned and in the interests of the Group and the Independent Shareholders as a whole.

Therefore, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Connected Transaction.

Yours faithfully,

For and on behalf of

**CIMB-GK Securities (HK) Limited**

**Heidi Cheng**

*Director*

**Anthony Ng**

*Senior Vice President*

## 1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts not contained herein the omission of which would make any statement contained in this circular misleading.

## 2. DISCLOSURE OF INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive officer in the Shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of 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 of members of the Company, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules (together, "Discloseable Interests") were as follows:

### Interests 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 (note 1)
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%

**Interests 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 (note 1)
VIZZONE Patrick Vincent	Beneficial owner	80,000	0.00%

**Interests in underlying shares of associated corporation**

Name of director	Name of associated corporation	Capacity	Number of shares options of China Foods Limited held in Long position	Number of underlying Shares held	Approximate percentage of the issued share capital of China Foods Limited (note 2)
NING Gaoning	China Foods Limited	Beneficial Owner	880,000	880,000	0.03%

*Notes:*

1. The percentages are calculated based on the total number of shares of the Company in issue as at the Latest Practicable Date, being 3,593,906,356 Shares.
2. The percentages are calculated based on the total number of shares of China Foods Limited in issue as at the Latest Practicable Date, being 2,791,383,356 shares.

Save as disclosed above, none of the Directors had any Discloseable Interests as at the Latest Practicable Date.

**3. SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS' INTERESTS**

As at the Latest Practicable Date, the following persons or entities (other than Directors or the chief executive of the Company) had interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who is,

directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Name of Shareholders	Capacity	Notes	Number of Shares held	Approximate percentage of the issued share capital of the Company (Note 4)
Wide Smart Holdings Limited ("Wide Smart")	Beneficial owner	(1) & (5)	1,922,550,331	53.49%
COFCO (BVI) No.108 Limited ("COFCO 108")	Beneficial owner	(1) & (5)	140,000,000	3.90%
COFCO Hong Kong	Beneficial owner	(1) & (5)	10,138,000	0.28%
	Interest of controlled corporations	(1) & (2)	2,062,550,331	57.39%
COFCO (formerly known as China National Cereals, Oils & Foodstuffs Corporation) (中國糧油食品(集團)有限公司)	Interest of controlled corporations	(1), (3) & (5)	2,072,688,331	57.67%

*Notes:*

1. Long positions in the Shares.
2. COFCO Hong Kong is deemed to be interested in 2,062,550,331 Shares in aggregate held by Wide Smart and COFCO 108 as COFCO (Hong Kong) Limited 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 108.
3. COFCO is deemed to be interested in 2,072,688,331 Shares in aggregate held by Wide Smart, COFCO 108 and COFCO (Hong Kong) Limited 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 108 and COFCO (Hong Kong) Limited.
4. The percentages are calculated based on the total number of shares of the Company in issue as at the Latest Practicable Date, being 3,593,906,356 Shares.
5. Mr. Ning Gaoning, being a Director, is also a director and chairman of the board of COFCO, a director of Wide Smart and a chairman of COFCO Hong Kong. Mr. Yu Xubo, being a Director, is also the president of COFCO, a director of each of Wide Smart, COFCO 108 and COFCO Hong Kong. Mr. Lu Jun and Mr. Yue Guojun, being Directors, are both assistant presidents of COFCO. Mr. Chi Jingtao and Mr. Ma Wangjun, being Directors, hold positions in COFCO as the head of the human resources department and the head of the finance department, respectively.

Save as disclosed above, so far as is known to the Directors, as at the Latest Practicable Date, no person had an interest or a short position in Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

Save as disclosed above in Note 5, the Directors are not aware of any Director being a director or employee of the entities which had interests or short positions in Shares or underlying shares of the Company as disclosed above.

#### 4. INTERESTS OF DIRECTORS 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 business of COFCO or its subsidiaries which is likely to compete with that of the Group:

- (1) COFCO holds approximately 20.74% of the issued share capital of Anhui BBKA Biochemical Co., Ltd. (“Anhui BBKA”), 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 BBKA. 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, similar 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 a president of COFCO. Mr. Lu Jun and Mr. Yue Guojun are both 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) Jilin COFCO, a wholly owned subsidiary of COFCO Hong Kong, holds certain interest 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;
- (3) 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., Grand Silver (Laiyang) Co., Limited, Great Ocean Oil and Grain Industries (Fang Cheng Gang) Co. Ltd., COFCO Northsea Oils & Grains Industries (Tianjin) Co. Ltd. and COFCO Aerocean Oils & Grains Industries (Shawan) Co. Ltd., all of which are subsidiaries of Wilmar International.

As at the Latest Practicable Date, save as disclosed above, no Directors or their associates are interested in any business which competes or is likely to compete, either directly or indirectly, with the Group's business and no Director is materially interested in any contract or arrangement subsisting at the Latest Practicable Date which is significant to the business of the Group taken as a whole.

Since 31 December 2007, the date to which the latest published audited combined financial statements of the Group have been made up, to the Latest Practicable Date, none of the Directors has, or has had, any direct or indirect interest in any assets which have been acquired or disposed of by or leased to or which are proposed to be acquired, disposed of by or leased to, any member of the Group.

#### 5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors has entered into any existing or proposed service contracts with the Company or any other member of the Group which are not determinable by the relevant employer within one year without payment of compensation (other than statutory compensation).

#### 6. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading positions of the Group since 31 December 2007, the date to which the latest published audited combined financial statements of the Group were made up.

#### 7. EXPERT'S QUALIFICATION AND CONSENT

The following is the qualification of CIMB-GK who has given its advice for inclusion in this circular:

<b>Name</b>	<b>Qualification</b>
CIMB-GK	a corporation licensed to conduct types 1 (dealing in securities), 4 (advising on securities) and 6 (advising on corporate finance) regulated activities under the SFO

CIMB-GK has given and has not withdrawn its written consent to the issue of this circular with inclusion of its letter and reference to its name in the form and context in which they appear respectively.

As at the Latest Practicable Date, CIMB-GK had no shareholding in the Company or any other member of the Group or right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in the Company or any other member of the Group.

As at the Latest Practicable Date, CIMB-GK had no direct or indirect interests in any assets which had been acquired or disposed of by or leased to any member of the Group since 31 December 2007 (the date to which the latest published audited combined financial statements of the Company were made up) or proposed to be so acquired, disposed of or leased to.

The letter and recommendations from CIMB-GK are set out in pages 10 to 16 in this circular and are given for incorporation in this circular.

## 8. RESOLUTIONS TO BE VOTED BY WAY OF POLL

Pursuant to the Listing Rules and in accordance with the articles of association of the Company, the chairman of the Board will demand all resolutions to be voted as at the EGM to be decided by poll.

## 9. GENERAL

- (a) The Company's registered office is situated at 33rd Floor, Top Glory Tower, 262 Gloucester Road, Causeway Bay, Hong Kong.
- (b) The qualified accountant of the Company is Mr. Wong Kwok Ho ("Mr. Wong"). Mr. Wong is a fellow member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants.
- (c) The secretary of the Company is Ms. Cho Wing Han ("Ms. Cho"). Ms. Cho is an associate member of Institute of Chartered Secretaries and Administrators and Hong Kong Institute of Chartered Secretaries and also a member of the Hong Kong Securities Institute.
- (d) The share registrar and transfer office of the Company is Tricor Progressive Limited whose business address is at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong.
- (e) The English texts of this circular and the accompanying proxy form shall prevail over the Chinese texts.

## 10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the Company's head office at 31st Floor, Top Glory Tower, 262 Gloucester Road, Causeway Bay, Hong Kong from the date of this circular up to and including the date of the EGM:

- (a) the articles of association of the Company;
- (b) the JV Agreement and the Articles of Association;

- (c) the letter from the Independent Board Committee, the text of which is set out in page 9 of this circular;
- (d) the letter from the Independent Financial Adviser, the text of which is set out in pages 10 to 16 of this circular;
- (e) the letter of consent from CIMB-GK referred to in the above paragraph headed “Expert’s Qualification and Consent” in this Appendix; and
- (f) the annual report of the Company for the financial year ended 31 December 2007.

# NOTICE OF EXTRAORDINARY GENERAL MEETING



## CHINA AGRI-INDUSTRIES HOLDINGS LIMITED 中國糧油控股有限公司

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 606)**

15 April 2009

### NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** an extraordinary general meeting (the “EGM”) of China Agri-Industries Holdings Limited (the “**Company**”) will be held at 2:30 p.m. on Wednesday, 6 May 2009 at Pacific Place Conference Centre, Level 5, One Pacific Place, 88 Queensway, Hong Kong for the purpose of considering and, if thought fit, passing the following resolution:

#### AS AN ORDINARY RESOLUTION

1. **THAT** (i) the execution of the joint venture agreement (the “JV Agreement”) dated 16 March 2009 and entered into between Excel Joy International Co., Ltd. (“Excel Joy”) and COFCO Limited in relation to the establishment of Tianjin COFCO Excel Joy Lingang Storage Co., Ltd. (the “New JV Co”), a copy of which has been produced to the meeting marked “A” and initiated by the chairman of the meeting for identification purpose, adoption of the articles of association of the New JV Co (“New JV Articles”) and the performance by Excel Joy of the transactions contemplated thereby be and are hereby confirmed, ratified and approved; (ii) and any one or more of the directors of the Company (the “Directors”) be and are hereby authorized to sign or execute such other documents or supplemental agreements or deeds on behalf of the Company and to do all such things and take all such actions as he or they may consider necessary or desirable for the purpose of giving effect to the JV Agreement and the New JV Articles and the transactions contemplated therein with such changes as any Director(s) may consider necessary, desirable or expedient.

By order of the Board

**CHINA AGRI-INDUSTRIES HOLDINGS LIMITED**

**Yu Xubo**

*Managing Director*

## NOTICE OF EXTRAORDINARY GENERAL MEETING

*Notes:*

1. The register of members of the Company will be closed on Wednesday, 6 May 2009, after which no transfers of shares will be registered. In order to qualify for attendance and voting at the EGM, all transfer documents should be lodged for registration with the share registrar and transfer office of the Company, Tricor Progressive Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong by 4:00 p.m. on Tuesday, 5 May 2009.
2. The resolutions set out in this Notice of EGM will be voted on by poll.
3. Any member of the Company entitled to attend and vote at the EGM is entitled to appoint one or more proxies to attend and vote for him. A proxy need not be a member of the Company.
4. A form of proxy for use at the EGM is enclosed. To be valid, the proxy form, together with the power of attorney or other authority (if any) under which it is signed, or a certified copy of that power of attorney or authority, must be deposited at the share registrar and transfer office of the Company, Tricor Progressive Limited at 26th Floor Tesbury Centre, 28 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time scheduled for holding the EGM or any adjournment of it.
5. Where there are joint holders of any share, any one of such holders may vote at the EGM, either in person or by proxy, in respect of such shares as if he were solely entitled to vote, but if more than one of such joint holders are present at the EGM in person or by proxy, the person so present whose name stands first in the register of members of the Company in respect of such share shall alone be entitled to vote in respect of it.
6. Completion and return of the form of proxy will not preclude a member from attending the EGM and voting in person at the EGM or any adjourned meeting if he so desires. If a member attends the EGM after having deposited the form of proxy, his form of proxy will be deemed to have been revoked.

*As at the date of this notice, the Board comprises: Mr. NING Gaoning as a non-executive director and chairman of the Board, Mr. YU Xubo, Mr. LU Jun and Mr. YUE Guojun as executive directors; Mr. CHI Jingtao and Mr. MA Wangjun as non-executive directors; and Mr. LAM Wai Hon, Ambrose, Mr. Victor YANG and Mr. Patrick Vincent VIZZONE as independent non-executive directors.*